Department of the Treasury

The Budget *in* Brief

FY 2004

February 2003

Assistant Secretary for Management and Chief Financial Officer

Office of Performance Budgeting

TABLE OF CONTENTS

DEPARTMENT OF THE TREASURY

Fiscal Year 2004 Budget Request

SUMMARY OF TREASURY'S BUDGET REQUEST

FY 2003:	***Treasury Program Level Request (Pres. Budget, Amended)***	***$15.943 billion***
	Bureau Transfers per P.L. 107-296 (USCS, USSS, FLETC)	***- 3.994 billion***
	Related Function Transfer to DHS & DOJ	***- .931 billion***
	Net Adjusted Program Level in FY 2003	***$11.018 billion***
FY 2004:	***Total Treasury Program Level Request***	***$11.408 billion***

* * * * * * * * * * * * * * * * * *

The President's Budget Request for the Department of the Treasury for FY 2004, after adjusting for the historic one-time transfers due to the enactment of the Homeland Security Act of 2002, reflects an increase of $400 million over FY 2003. The Homeland Security legislation transferred select law enforcement bureaus and related functions from the Treasury Department to the Departments of Homeland Security and Justice, respectively. The resource levels reflected throughout this document refer only to those bureaus remaining in Treasury. Information regarding those entities that have transferred to either DHS or DOJ may be found in budget documents for their respective agency.

HIGHLIGHTS OF TREASURY'S REQUEST

The President's proposed FY 2004 Budget continues to recognize Treasury's key role in Government as ***economic policymaker, financial manager, and revenue collector.*** The recent divestiture of a majority of Treasury's law enforcement portfolio has re-emphasized the importance of these areas, as well as strengthening our focus on the critical role the Department plays in the financial war against terrorism.

The Budget request also places increased importance on providing the customer service and program reliability that our customers demand and deserve. To deliver on these and other commitments, Treasury partners the principles of the President's Management Agenda and the Department's performance budgeting processes to: **(a)** link performance with dollars; and **(b)** serve as catalysts for identifying and eliminating those programs producing little or no real value to its customers and redirecting those resources to higher value programs.

FY 2004 KEY PRIORITIES

Treasury's FY 2004 budget request continues the Department's recent accomplishments and highlights Treasury's commitment to:

- ***Ensure that the tax system is fair for all through a comprehensive compliance effort***
- ***Increase Treasury's efficiency and effectiveness by streamlining operations***
- ***Serve a critical role in the financial war against terrorism***
- ***Maintain the integrity of our Nation's financial systems & safeguard our Nation's currency***

Treasury uses the principles of the President's Management Agenda as a foundation for accomplishing not only these key priorities, but the overall mission and goals of the Department.

Ensuring that the Tax System is Fair for All

Supports the following Treasury Strategic Goal:

✓ *Collect Revenue Due to the Federal Government*

A cornerstone of Treasury's mission is helping our citizens meet their tax responsibilities, while maintaining the fairness of the tax system for all and respecting taxpayer rights. This is the responsibility of the **Internal Revenue Service**, which manages the systems that collect most of the revenue needed to operate government. This responsibility entails:

- *Meeting the annual demands related to processing over 2.6 billion tax-related documents;*
- *Sending out over 95 million tax refunds;*
- *Providing quality service on taxpayer phone calls concerning tax law and account specific questions; and*
- *Maintaining a balanced and comprehensive enforcement presence.*

Continuing to work toward their mission of *"providing America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all,"* the FY 2004 budget request for the Internal Revenue Service:

1. Focuses tax administration goals by directing new resources toward areas where dollar non-compliance is the highest while maintaining balanced reviews across all areas, ***ensuring tax legislation is applied fairly and equally to all taxpayers.***

2. Provides an ongoing level of **<u>$35 million</u>** in FY 2004 for ***continued implementation of a health coverage tax credit program authorized by the Trade Act of 2002.***

3. Invests **<u>$429M</u>** to ***continue the momentum of the Business System Modernization*** effort for FY 2004, continuing to advance a key technological and business redesign effort, now in its fifth year of implementation.

4. ***Improves the collection of unpaid taxes*** through the utilization of private collection agents (PCAs).

- ***<u>Ensuring tax legislation is applied fairly and equally to all taxpayers</u>.*** We need to improve voluntary compliance, which has been hovering at about 83% for over a decade. We collect another 3 percent through our own enforcement actions, which yield more than invested, but are more costly than collecting the taxes voluntarily. An additional concentration of IRS resources will enhance such voluntary compliance.

High Income Taxpayers. The budget invests **<u>$133 million</u>** of new funding in FY 2004 to focus and target resources and staffing toward the most significant areas of non-compliance – particularly more examinations of high income non-compliance – resulting in more examinations of high-income taxpayers and businesses. It is anticipated that the number of audits in this category will rise from 93,000 in 2000 to 160,000 in 2004.

- Although specific FY 2004 Tax Enforcement staffing is up 1,075 FTE over planned FY 2003 levels (and 1,637 FTE from FY 2002), overall IRS staffing has only risen 998 from FY 2002. This is due to a series of **re-engineering** efforts across all operations to identify lower-value programs and projects and re-directing resources from those operations to front-line, value producing ones. *IRS is proposing a **<u>realignment of $166 million</u>** in similar types of savings and re-directions to accomplish this goal.*

Improving Effectiveness of the EITC Program. Issuance of erroneous payments has been a concern for the Earned Income Tax Credit (EITC) program since its inception. Unlike most other tax credits, the EITC is reimbursable, i.e., it is a payment. However, unlike with other federal benefit payment programs, there is essentially no eligibility verification before EITC payments are made. Therefore, any erroneous claims that are honored by IRS result in payments that require significant additional investment of Federal resources to recover, and have proven difficult to retrieve. Although IRS has been given additional enforcement authorities to fight EITC overpayments in the past, these authorities do not **<u>prevent</u>** them in the payments process.

- Beginning in FY 2004, IRS will use an ***integrated approach*** to address potential erroneous claims before they are accepted for processing and before any EITC benefits are paid.

- The FY 2004 President's Budget requests an **<u>additional $100 million</u>** to correct deficiencies of the EITC program. IRS will dedicate 60% of their additional FY 2004 funds to begin using this integrated approach in cases that have been determined to have a high likelihood of error. The remaining 40% will be used to invest in the necessary infrastructure to allow full implementation of the integrated approach.

- ***Continued Implementation of the Trade Act of 2002.*** In carrying out the provisions of the Trade Act of 2002 (P.L.107-210), the Treasury Department, through the IRS, was chartered with establishing and implementing a new health coverage tax credit program. This program provides a refundable tax credit to eligible individuals for the cost of qualified health insurance for both the individual and qualifying family members. As part of the FY 2003 President's Budget amendment, $70M was redirected from within existing funds for the start-up costs of this program. In FY 2004, the IRS budget proposes an ongoing level of $35M to continue implementation and operation of this new program.

- ***Continue the Momentum of the Business Systems Modernization Effort.*** The Internal Revenue Service is committed to providing excellent customer service and takes pride in the integrity of their systems. As a result, they are continually improving operations efficiency and performance by adopting best business practices and state-of-the-art technology.

  - This multi-year endeavor is providing IRS with the technological tools and revamped business processes needed to deliver first-class customer service to American taxpayers and to ensure that compliance programs are administered efficiently and fairly.

  - FY 2002 and FY 2003 have been key transition years for IRS Modernization efforts, as the foundation of our Nation's tax system is being replaced, building a bridge to providing interactive and improved customer service. FY 2004 investments will build on those accomplishments.

  - The Department's FY 2004 budget provides **$429 million** for the continuation of the Service's modernization effort in re-engineering business processes and developing new business systems to replace the antiquated and obsolete system. This amount compares to the FY 2003 amended level of $380M.

    The original FY 2003 President's Budget level of $450M was amended to meet a $70M startup need in FY 2003 for a new health coverage tax credit authorized by the Trade Act of 2002. ***The FY 2004 budget restores this funding back to the BSM account.***

- ***Improve the Collection of Unpaid Taxes while Protecting Taxpayer Rights.*** During FY 2002, using the Program Assessment Rating Tool (PART), the Administration determined that the IRS Tax Collection program fails to collect a higher amount of taxes due and does not effectively enforce fair tax compliance. In fact, there is a large and growing inventory of identified cases where IRS still does not take further action. Therefore, the FY 2004 budget provides an initiative to use **private collection agents (PCAs)** to help collect such delinquent tax debts, allowing IRS to concentrate its enforcement resources on more complex cases and issues. PCAs have proven successful with over 40 states and other federal entities, such as the Student Loan program, in the past.

  - By eliciting the assistance of PCAs, the IRS should eventually be able to handle more collection cases at an earlier stage in the process-- ***before the accounts become stale and uncollectible***.

- PCAs would hold no enforcement power and **all taxpayer confidentiality protections and rights would apply**, including the provisions of IRS Restructuring and Reform Act of 1998 (RRA 98). The IRS will closely monitor the activities and performance of the PCAs to ensure these protections are provided.

❑ **Regulatory and Legislative Proposals.** Although the vast majority of taxpayers and businesses do their best to comply with the law, some actively promote or engage in transactions structured to generate tax benefits never intended by Congress. Such abusive transactions not only consume valuable IRS resources, but also erode the public's respect for the tax laws. The Administration has proposed a number of regulatory and legislative changes designed to significantly enhance the current enforcement regime and curtail the use of abusive tax avoidance transactions, working towards **ensuring that the tax system is fair for all**.

❑ **Advancing the IRS Mission.** To continue to achieve their mission of *"providing America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all,"* the IRS has realized that organizational improvements and employee satisfaction lead to improved customer satisfaction. As a result, strategic objectives focus not only on the taxpayer, but also on the improvement of the bureau as a whole.

- Through implementation of the IRS Restructuring and Reform Act of 1998 (RRA 98), the IRS has improved many of its customer service performance problems.

- In FY 2003 and FY 2004, IRS will roll out the first two phases of a multi-year effort to replace their taxpayer database. This new database will allow accurate tax account answers on a real-time basis and will also allow the IRS to develop new approaches to simultaneously improve tax collection and taxpayer assistance.

- The tax code appears to be an abominable monster to the everyday American citizen. IRS and Treasury continue to work with Congress to clarify ambiguities and confusing issues in the existing tax code.

Increasing Treasury's Efficiency and Effectiveness by Streamlining Operations

Supports the following Treasury Strategic Goals:

- ✓ *Continue to Build a Strong Institution*
- ✓ *Support the Achievement of Business Results*

FY 2003 and FY 2004 will serve as defining years for Treasury, as well as for the rest of the federal government, as 22 agencies are transferred to the new Department of Homeland Security. This massive reorganization has given Treasury the opportunity to reevaluate not only those efforts related to Homeland Security, but all remaining functions to streamline operations and increase Treasury's, and ultimately the federal government's, efficiency and effectiveness.

During the FY 2004 budget process, bureaus were required to go through a rigorous application process in which programs producing little or no value were eliminated and the funds for those programs were redirected to programs expected to produce results. This process has forced the bureaus to reevaluate their own operations and prioritize funding based upon those producing the highest value.

Homeland Security Divestiture

- Pursuant to ***Public Law 107-296***, the Homeland Security Act of 2002, certain law enforcement functions were transferred from Treasury Department to the Departments of Homeland Security and Justice, respectively.
  - The **Federal Law Enforcement Training Center,** the **United States Customs Service,** and the **United States Secret Service** were transferred to the Department of Homeland Security.
  - The **Bureau of Alcohol, Tobacco and Firearms** was split, with those functions related to firearms, arson and explosives transferring to the Department of Justice.
  - The legislation also created a new bureau within the Treasury called the **Alcohol and Tobacco Tax and Trade Bureau**, which is charged with enforcing federal laws and regulations relating to alcohol and tobacco.
- In addition to those accounts specifically laid out in legislation, through the FY 2004 budget process, other related accounts will be affected as well.
  - Appropriations for the **Counter-Terrorism Fund**, whose major function is to cover unanticipated costs related to counter-terrorism efforts, have been requested in the FY 2004 budget for the Department of Homeland Security.
  - In a step to streamline funding and operations, the **Inter-Agency Crime and Drug Enforcement (ICDE)** account is proposed for transfer back to the Department of Justice.
  - Portions of the **Departmental Offices, Department-wide Systems and Capital Investments Program *(Wireless Radio Development Program)*** and **Office of Inspector General** accounts were transferred to the Department of Homeland Security in order to provide those transferring bureaus a continued level of service and seamless transition to the Department of Homeland Security.
  - In support of the portion of the Bureau of Alcohol, Tobacco and Firearms that is transferring to the Department of Justice, portions of the Departmental Offices and Office of Inspector General accounts will also be transferred to the Department of Justice.
- The transfer of the Federal Law Enforcement Training Center, United States Customs Service, United States Secret Service, a majority of the Bureau of Alcohol, Tobacco and Firearms, Counter-Terrorism Fund and Inter-Agency Crime and Drug Enforcement accounts represents nearly ***90% of Treasury's law enforcement mission*** and almost ***a third of Treasury's total FY 2003 budget***.

- This reorganization is not only streamlining Homeland Security efforts, but it is also allowing the Department to concentrate on its core responsibilities as economic policymaker, financial manager and revenue collector, as well as focusing its law enforcement effort on fighting the war against terrorism on the financial front.

Consolidated IG Function

As a partial result of the transfer of nearly 70% of the Office of Inspector General account to the Department of Homeland Security and the Department of Justice, the FY 2004 President's Budget proposes a consolidation of the Inspector General services at Treasury, the Office of Inspector General and the Inspector General for Tax Administration.

- The **Office of Inspector General** was created in 1978 by the Inspector General Act Amendments to oversee Treasury functions.

- The **Inspector General for Tax Administration** was created as part of the Internal Revenue Service Restructuring and Reform Act of 1998 to oversee operations at the Internal Revenue Service.

The combined **Inspector General for Treasury** will be responsible for providing oversight to the remaining Treasury bureaus. This amalgamation of the two oversight functions within Treasury represents the Department's ongoing commitment to reduce duplicative efforts and improve the way the government conducts its business.

Serving a Critical Role in the Financial War Against Terrorism

Supports the following Treasury Strategic Goal:

✓ *Combat Money Laundering and Other Financial Crimes*

The divestiture of nearly 90% of Treasury's law enforcement mission provides Treasury the opportunity to place an even greater focus on their role in the financial war against terrorism. Treasury continues to play a critical role in combating terrorist finance by serving as **Chair of the interagency Policy Coordinating Committee**, which is responsible for coordinating the day-to-day development and implementation of policies to combat terrorist finance and provide policy analysis on terrorist finance issues.

The three entities within Treasury responsible for combating terrorist financing: the **Financial Crimes Enforcement Network (FinCEN),** the **Office of Foreign Assets Control (OFAC)** and the **Internal Revenue Service Criminal Investigation Division**.

The Financial Crimes Enforcement Network (FinCEN) fosters interagency and global cooperation and serves as a link between the law enforcement/intelligence communities and financial institutions and regulators in fighting domestic and international financial crime.

- Their strategic analyses of domestic and worldwide money laundering developments, trends, and patterns provides U.S. policymakers a platform on which important decisions concerning terrorist threat can be made.

- FinCEN works toward these ends through information collection, analysis, and sharing, as well as technological assistance and innovative, cost-effective implementation of the Bank Secrecy Act (BSA) and other Treasury authorities.

- FinCEN continues to support Operation Green Quest, the FBI's Terrorism Financing Operations Section, the Policy Coordinating Committee Action Group on Terrorist Financing, and the National Money Laundering and Terrorist Financing Strategy of 2002 (formerly the National Money Laundering Strategy).

- ❑ FinCEN's FY 2004 funding level reflects a significant increase over their FY 2003 President's Budget level. This increase will allow FinCEN to:

  - Improve information sharing between the financial services and law enforcement communities and enhance their ability to provide useful information to these entities regarding trends, patterns, and issues related to suspicious financial transactions and other money laundering/financial crimes which fuel terrorism and other criminal activities;

  - Effectively administer additional requirements mandated by the USA Patriot Act of 2001 and subsequent regulatory requirements, including expanding the capacity to provide direct access to BSA data to meet increased demand;

  - Monitor the establishment of anti-money laundering programs in all financial institutions;

  - Expand the Bank Secrecy Act (BSA) to new industries and accelerate efforts to enable electronic filing of BSA data more efficiently through the Patriot Act Communications system;

  - Strengthen and expand mechanisms for the exchange of information globally to enhance the global fight against terrorism and money laundering that fuels criminal activities.

The Office of Foreign Assets Control administers and enforces economic sanctions and embargo programs against targeted foreign governments and groups that pose threats to the national security, foreign policy, or economy of the United States.

- ❑ Consistent with President Bush's November 7, 2001 address, the United States continues to attack terrorists where it hurts them the most – their bank accounts.

  Since September 2001, Treasury's Office of Foreign Assets Control and our allies have frozen over ***$124 million*** *in terrorist assets.*

- ❑ Only days after September 11, 2001, OFAC was responsible for drafting and implementing Executive Order 13224, which invoked Presidential authority contained in the International Emergency Economic Powers Act and froze the assets of 29 entities and individuals linked to Osama Bin Laden and his Al-Qaeda network. Since then, 228 additional entities and individuals, most of them the result of OFAC research and investigation, have been designated as Specially Designated Global Terrorists under the Order.

  This designation and asset blocking process has served as the spearhead of the President's financial war on terrorism.

The Internal Revenue Service Criminal Investigation (IRS-CI) Division specializes in analyzing complex financial information and determining whether that information is in violation of tax laws, money laundering laws, and the Bank Secrecy Act. In addition, IRS-CI is heavily involved with the Joint Terrorism Task Forces (JTTFs) and similar partnerships focused on disrupting and dismantling terrorist financing.

Maintaining our Financial Systems & Safeguarding Our Nation's Currency

Supports the following Treasury Strategic Goal:

- ✓ *Improve the Efficiency of Production Operations and Maintain the Integrity of U.S. Coins and Currency*

The **Office of the Comptroller of the Currency** serves as the Administrator of National Banks, chartering new banking institutions only after investigation and due consideration of charter applications and supervising existing national banks through the promulgation of rules and regulations for the guidance of national banks and bank directors.

The **Office of Thrift Supervision** charters, regulates and examines Federal thrifts, cooperates in the examination and supervision of state-chartered thrifts and reviews applications of State-chartered thrifts for conversion to Federal thrifts. They also review applications for the establishment of branch offices.

The **Financial Management Service** will continue to improve the quality of Federal financial management, fully implement debt management services operations, modernize Government-wide accounting and reporting infrastructure, and progress toward an all-electronic Treasury.

The **Bureau of the Public Debt** will continue its management and vital support to applications and systems used for Federal borrowing and debt accounting, re-enforcing its mission of providing quality debt management services to financial institutions, individuals, foreign governments, and over 200 Government trust funds.

The activities of the **United States Mint** and the **Bureau of Engraving and Printing,** along with the health of our Nation's economy, are jointly responsible for ensuring that our nation's currency retains its status as the world's most accepted currency.

The **United States Mint**, under its funding provisions for both investment and operations, responds to the needs of retail commence by producing a reliable supply of coinage, including the newly designed fifty state commemorative quarters. Equally important, the Mint will continue its major role in promoting national patriotic themes with collectable coins.

The **Bureau of Engraving and Printing** is in the process of redesigning our Nation's paper currency to counter the trend of computer generated counterfeiting. Building on past security features, the new design, known as *NexGen*, may begin circulation in the $20 note as early as Fall 2003, with the $50 and $100 note to follow 12 to 18 months later.

Foundation for Success -- the President's Management Agenda

Supports the following Treasury Strategic Goals:

- ✓ *Support the Achievement of Business Results*
- ✓ *Improve Customer Satisfaction*
- ✓ *Improve Employee Satisfaction*
- ✓ *Cost-Effectively Finance the Federal Government's Operations*
- ✓ *Provide Accurate and Timely Financial Information and Support the Government-wide Implementation of Accounting Standards*

Treasury continues to work toward becoming a results-driven, *world class* organization. FY 2002 served as a key year for Treasury in implementing the five initiative areas of the President's Management Agenda. Accomplishments for FY 2002 include:

Strategic Management of Human Capital – Treasury's vision for managing its human capital is to retain a diverse, high-caliber workforce – ***a workforce that places the right employees in the right place at the right time*** to fulfill the Department's global mission efficiently and effectively. The Department believes that high levels of satisfaction within the portfolio of Treasury employees will lead to enhanced service provided to the American citizen, thus yielding higher **customer satisfaction** from both stakeholders and service users. Departmental Offices has participated in a Gallup survey of all employees to serve as a baseline for measuring **employee satisfaction**. Most bureaus already participate in measuring employee satisfaction.

Expanded Electronic Government – The Department is working toward building a comprehensive, citizen-centered IT infrastructure. Treasury is also encouraging increased participation by the bureaus in all 24 of the e-government initiatives across Treasury. Specific efforts in FY 2002 and FY 2003 include:

- ❑ The **Internal Revenue Service** has made significant progress towards achieving the Congressional goal of having 80% of all tax and information returns filed electronically by 2007. During 2002, IRS partnered with the **Free File Alliance**, a consortium of private sector companies, to provide free Internet filing of 2002 federal tax forms and has also provided functionality to allow taxpayers to check the status of their refund on the web. ***Free Tax Filing*** is a premier IRS e-gov initiative. Progress is currently underway to improve other parts of the Internet-based system, including providing online employer identification numbers.

- ❑ In FY 2002, the **Financial Management Service** issued 73% of all payments (666 million of 919 million) by electronic funds transfer. FMS also collected 79% ($1.8 trillion of $2.27 trillion) of all federal receipts electronically.

- ❑ In 2002, the **Bureau of Public Debt** introduced the *TreasuryDirect* system, by which retail investors can purchase electronic Series I inflation-indexed savings bonds. This is the first step toward the Bureau's goal to convert all savings bond holdings to paperless form.

- ❑ **HR Connect** is Treasury's first enterprise-wide application, a web-based human resources solution that has fundamentally transformed the standard HR service delivery model by putting information, services and processes directly in the control of managers and employees. *HR Connect* provides standardized information with results-driven decision-making capability, fully supporting the technological benchmark for true government-wide HR reform under both the E-gov and Human Capital initiatives of the PMA.

Operating in eight bureaus (including IRS), HR Connect will continue to provide services to those bureaus transferring to the Department of Homeland Security and the Department of Justice.

Improved Financial Performance – Treasury acts as principal custodian of the revenue collected and debt issued on behalf of the Federal Government. In order to fulfill this responsibility, the Department is working to streamline financial management practices, develop sound costing methodologies, and integrate financial data with performance data. As ***best in government***, Treasury has set the standard for the rest of government, with all of its bureaus now closing their financial statements within **3 days after the close of each month** and within **45 days after the end of each year.**

*This availability of **real-time data** has brought the Department up to speed with the private sector and has enabled bureau and Department management to make **results-driven decisions**, instead of spending the majority of time aggregating data.*

Budget and Performance Integration – Treasury is dedicated to the fiscal stewardship of each congressionally authorized dollar by linking investments with specific, measurable results. Integrating performance information into the budget decision-making process allows agencies to more directly focus their resource decisions on strategies and programs that produce desired results.

- During the FY 2004 budget process, bureaus were required to go through a rigorous application process in which programs producing little or no value were eliminated and the funds for those programs were redirected to programs expected to produce results.
- Also, in FY 2002, Treasury issued its first **combined Performance and Accountability Report**. The pairing of these two reports provides annual data for both internal and external stakeholders to assess Treasury's performance in a timely manner and allows decision-makers to base their decisions on recent and reliable data.

Competitive Sourcing – The Department is committed to evaluating the merits of its internal efforts, by understanding competitive sourcing options – migrating to those outsourced options when it produces the most value for the American people based on cost and value, while retaining those specific functions that are inherently governmental. As a result of the Department's expertise in this area, it has been sought after as a **consultant** by many agencies within federal government including NASA, Department of Agriculture, Department of Transportation and the State Department. The Department will identify opportunities to integrate other elements of the PMA into competitive sourcing and will work toward the ultimate competitive sourcing objective by identifying new potential targets for A-76 studies. Specific accomplishments for the Department in FY 2002 include:

- Completed competitive sourcing studies on 192 FTE through direct conversion or streamlined studies.
- Identified, planned and commenced on-going studies on 6,071 FTE throughout the Department.
- Developed and implemented a web-based automated Federal Activities Inventory Reform (FAIR) Act inventory data collection system that enabled Treasury to submit the FAIR Act inventory to OMB early. ***Treasury was the first Department across government to submit the inventory.***

DEPARTMENT OF THE TREASURY

FY 2004 President's Budget Summary By Function

(dollars in thousands)

BUREAU/APPROPRIATION ACCOUNT	FY 2002 *Enacted Level w/ Supplementals*	FY 2002 *Less Transfer*	FY 2002 *Net Enacted Level*	FY 2003 *President's Budget (as amended)**	FY 2003 *Less Transfer*	FY 2003 *Net President's Budget*	FY 2004 *President's Budget*
Tax Administration	**9,474,604**	**0**	**9,474,604**	**9,915,853**	**0**	**9,915,853**	**10,436,541**
Internal Revenue Service:							
Operations	**8,923,011**	**0**	**8,923,011**	**9,319,853**	**0**	**9,319,853**	**9,721,374**
Business Systems Modernization	**405,593**	**0**	**405,593**	**380,000**	**0**	**380,000**	**429,000**
Earned Income Tax Credit Compliance	**146,000**	**0**	**146,000**	**146,000**	**0**	**146,000**	**251,167**
Health Insurance Tax Credit Administration	**0**	**0**	**0**	**70,000**	**0**	**70,000**	**35,000**
Enforcement & Collections	**1,049,860**	**(821,747)**	**228,113**	**1,081,868**	**(843,775)**	**238,093**	**137,571**
Bureau of Alcohol, Tobacco and Firearms	**854,747**	**(854,747)**	**0**	**883,775**	**(883,775)**	**0**	**0**
Alcohol and Tobacco Tax and Trade Bureau	**0**	**73,000**	**73,000**	**0**	**80,000**	**80,000**	**80,000**
Financial Crimes Enforcement Network	**47,537**	**0**	**47,537**	**50,517**	**0**	**50,517**	**57,571**
Interagency Crime and Drug Enforcement (OCDETF)	**107,576**	**0**	**107,576**	**107,576**	**0**	**107,576**	**0**
Counter-Terrorism Fund	**40,000**	**(40,000)**	**0**	**40,000**	**(40,000)**	**0**	**0**
Financial & Fiscal Service Operations	**465,803**	**0**	**465,803**	**479,831**	**0**	**479,831**	**453,304**
Financial Management Service	**198,850**	**0**	**198,850**	**220,712**	**0**	**220,712**	**228,606**
Bureau of the Public Debt	**186,953**	**0**	**186,953**	**191,119**	**0**	**191,119**	**173,698**
Community Development Financial Institutions Fund	**80,000**	**0**	**80,000**	**68,000**	**0**	**68,000**	**51,000**
Management	**457,004**	**(80,951)**	**376,053**	**471,105**	**(86,951)**	**384,154**	**380,290**
Departmental Offices Accounts:							
Salaries and Expenses	**177,142**	**(30,500)**	**146,642**	**191,914**	**(30,500)**	**161,414**	**166,875**
Air Transportation Stabilization Program	**9,400**	**0**	**9,400**	**6,041**	**0**	**6,041**	**2,538**
Treasury Building & Annex Repairs & Restoration	**28,932**	**0**	**28,932**	**32,932**	**0**	**32,932**	**25,000**
Department-wide Systems & Capital Investments Prog	**68,828**	**(25,935)**	**42,893**	**68,828**	**(31,935)**	**36,893**	**36,928**
Expanded Access to Financial Services	**2,000**	**0**	**2,000**	**2,000**	**0**	**2,000**	**0**
International Affairs Technical Assistance	**9,500**	**0**	**9,500**	**10,000**	**0**	**10,000**	**14,000**
Inspector General Function:							
Inspector General for Treasury	**0**			**0**			**134,949**
Office of Inspector General	**35,424**	**(24,516)**	**10,908**	**35,428**	**(24,516)**	**10,912**	**0**
Treasury Inspector General for Tax Administration	**125,778**	**0**	**125,778**	**123,962**	**0**	**123,962**	**0**
TOTAL, TREASURY LEVEL	**11,447,271**	**(902,698)**	**10,544,573**	**11,948,657**	**(930,726)**	**11,017,931**	**11,407,706**

1/ FY 2003 President's Budget was amended on January 7, 2003. For Treasury, the amendment included a shift in resources from the Business Systems Modernization account to a new Health Insurance Tax Credit effort in the amount of $70M.

2/ As a result of P.L. 107-296, portions of the Departmental Offices, Department-wide Systems and Capital Investments Program, Office of Inspector General and Bureau of Alcohol, Tobacco and Firearms accounts were transferred out of the Department of Treasury. The "Less Transfer" columns reflect the comparative levels of such a transfer for FY 2002 and FY 2003.

DEPARTMENT OF THE TREASURY

FY 2004 COMPARISON OF APPROPRIATIONS & ESTIMATES FOR TREASURY BUREAUS

(Dollars in thousands)

BUREAU/APPROPRIATION ACCOUNT	FY 2002 Enacted Level w/Supplementals	FY 2002 Less Transfer	FY 2002 Net Enacted Level	FY 2003 Request Level (as amended)	FY 2003 Less Transfer	FY 2003 Net Request Level	FY 2004 Request Level
DEPARTMENTAL OFFICES:							
Salaries and Expenses	177,142	(30,500)	146,642	191,914	(30,500)	161,414	166,875
Treasury-wide Financial Statements Audit Program (non-add)	*0*	*0*	*0*	*5,893*	*0*	*5,893*	*3,393*
Air Transportation Stabilization Program	9,400	0	9,400	6,041	0	6,041	2,538
Treasury Building and Annex Repair and Restoration	28,932	0	28,932	32,932	0	32,932	25,000
Expanded Access to Financial Services	2,000	0	2,000	2,000	0	2,000	0
DEPARTMENT-WIDE SYSTEMS & CAPITAL INVESTMENTS PROGRAM	68,828	(25,935)	42,893	68,828	(31,935)	36,893	36,928
HR Connect (non-add)	*25,751*	*0*	*25,751*	*25,751*	*0*	*25,751*	*25,989*
Treasury Enterprise Architecture (non-add)	*200*	*0*	*200*	*200*	*0*	*200*	*200*
Critical Infrastructure (non-add)	*7,993*	*0*	*7,993*	*8,993*	*0*	*8,993*	*8,993*
Integrated (Wireless) Treasury Network (non-add)	*25,935*	*(25,935)*	*0*	*31,935*	*(31,935)*	*0*	*0*
Critical Infrastructure (non-add)	*8,746*	*0*	*8,746*	*1,746*	*0*	*1,746*	*1,746*
Treasury Assets Management Information System (non-add)	*203*	*0*	*203*	*203*	*0*	*203*	*0*
INSPECTORS GENERAL:							
Inspector General For Treasury	0	0	0	0	0	0	134,949
Office of Inspector General	35,424	(24,516)	10,908	35,428	(24,516)	10,912	0
Inspector General for Tax Administration	125,778	0	125,778	123,962	0	123,962	0
COUNTER-TERRORISM FUND	40,000	(40,000)	0	40,000	(40,000)	0	0
FINANCIAL CRIMES ENFORCEMENT NETWORK	47,537	0	47,537	50,517	0	50,517	57,571
Money Service Business Regulatory Program (non-add)	*7,790*	*0*	*7,790*	*7,964*	*0*	*7,964*	*8,152*
INTERAGENCY CRIME AND DRUG ENFORCEMENT	107,576	0	107,576	107,576	0	107,576	0
FINANCIAL MANAGEMENT SERVICE	198,850	0	198,850	220,712	0	220,712	228,606
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS	854,747	(854,747)	0	883,775	(883,775)	0	0
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU	0	73,000	73,000	0	80,000	80,000	80,000
BUREAU OF THE PUBLIC DEBT	191,353	0	191,353	195,519	0	195,519	178,098
Maintenance Fee	(4,400)	0	(4,400)	(4,400)	0	(4,400)	(4,400)
Subtotal, BPD	186,953	0	186,953	191,119	0	191,119	173,698
INTERNAL REVENUE SERVICE:							
Processing, Assistance, and Management	3,810,880	0	3,810,880	3,958,337	0	3,958,337	4,074,694
Tax Law Enforcement	3,542,891	0	3,542,891	3,729,072	0	3,729,072	3,976,641
Information Systems	1,569,240	0	1,569,240	1,632,444	0	1,632,444	1,670,039
Business Systems Modernization	405,593	0	405,593	380,000	0	380,000	429,000
Earned Income Tax Compliance	146,000	0	146,000	146,000	0	146,000	251,167
Health Insurance Tax Credit Administration	0	0	0	70,000	0	70,000	35,000
Subtotal, IRS	9,474,604	0	9,474,604	9,915,853	0	9,915,853	10,436,541
TOTAL, TREASURY APPROPRIATION COMMITTEE	**11,357,771**	**(902,698)**	**10,455,073**	**11,870,657**	**(930,726)**	**10,939,931**	**11,342,706**
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND	80,000	0	80,000	68,000	0	68,000	51,000
INTERNATIONAL AFFAIRS TECHNICAL ASSISTANCE	9,500	0	9,500	10,000	0	10,000	14,000
TOTAL, TREASURY LEVEL	**11,447,271**	**(902,698)**	**10,544,573**	**11,948,657**	**(930,726)**	**11,017,931**	**11,407,706**

1/ FY 2003 President's Budget was amended on January 7, 2003. For Treasury, the amendment included a shift in resources from the Business Systems Modernization account to a new Health Insurance Tax Credit effort in the amount of $70M.

2/ As a result of P.L. 107-296, portions of the Departmental Offices, Department-wide Systems and Capital Investments Program, Office of Inspector General and Bureau of Alcohol, Tobacco and Firearms accounts were transferred out of the Department of Treasury. The "Less Transfer" columns reflect the comparative levels of such a transfer for FY 2002 and FY 2003.

DEPARTMENT OF THE TREASURY

FISCAL YEAR COMPARISON OF FULL-TIME EQUIVALENT STAFFING

(Direct and Reimbursable)

APPROPRIATED ACCOUNTS	FY 2002 Actual				FY 2003 President's Budget				FY 2004 President's Budget		
	Direct	Reimb.	Total	*Comparative Level*	Direct	Reimb.	Total	*Comparative Level*	Direct	Reimb.	Total
DEPARTMENTAL OFFICES	1,046	375	1,421	*1,200*	1,086	434	1,520	*1,304*	860	434	1,294
AIR TRANSPORTATION STABILIZATION PROGRAM	7	0	7	*7*	8	0	8	*12*	6	0	6
EXPANDED ACCESS TO FINANCIAL SERVICES	1	0	1	*1*	3	0	3	*3*	2	0	2
INSPECTOR GENERAL FOR TREASURY	0	0	0	*0*	0	0	0	*0*	987	15	1,002
OFFICE OF INSPECTOR GENERAL	272	0	272	*87*	282	0	282	*87*	0	0	0
INSPECTOR GENERAL FOR TAX ADMINISTRATION	928	15	943	*943*	947	15	962	*962*	0	0	0
TREASURY BUILDING & ANNEX REPAIR & RESTORATION	10	0	10	*10*	10	0	10	*10*	10	0	10
FINANCIAL CRIMES ENFORCEMENT NETWORK	200	5	205	*205*	254	5	259	*259*	277	0	277
TREASURY FRANCHISE FUND	0	473	473	*473*	0	490	490	*530*	0	543	543
FINANCIAL MANAGEMENT SERVICE	1,894	92	1,986	*1,986*	1,818	294	2,112	*2,112*	1,818	307	2,125
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS	4,355	84	4,439	*0*	4,562	85	4,647	*0*	0	0	0
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU	543	16	559	*559*	544	15	559	*559*	544	15	559
BUREAU OF ENGRAVING AND PRINTING	0	2,400	2,400	*2,400*	0	2,677	2,677	*2,627*	0	2,627	2,627
U.S. MINT	0	2,428	2,428	*2,428*	0	2,467	2,467	*2,467*	0	2,610	2,610
BUREAU OF THE PUBLIC DEBT	1,453	5	1,458	*1,458*	1,478	5	1,483	*1,483*	1,333	5	1,338
INTERNAL REVENUE SERVICE:											
Processing, Assistance and Management	43,866	531	44,397	*44,397*	43,246	546	43,792	*43,792*	42,407	510	42,917
Tax Law Enforcement	45,174	495	45,669	*45,669*	45,531	700	46,231	*46,231*	46,656	650	47,306
Information Systems	7,674	10	7,684	*7,684*	8,025	10	8,035	*8,035*	7,986	10	7,996
Earned Income Tax Credit	2,467	0	2,467	*2,467*	2,353	0	2,353	*2,353*	2,994	0	2,994
SUBTOTAL, IRS	99,181	1,036	100,217	*100,217*	99,155	1,256	100,411	*100,411*	100,043	1,170	101,213
SUBTOTAL, TREASURY APPROPRIATED LEVEL	**109,890**	**6,929**	**116,819**	**111,974**	**110,147**	**7,743**	**117,890**	**112,826**	**105,880**	**7,726**	**113,606**
OTHER ACCOUNTS											
COMPTROLLER OF THE CURRENCY	0	2,792	2,792	*2,792*	0	2,841	2,841	*2,813*	0	2,813	2,813
OFFICE OF THRIFT SUPERVISION	0	1,087	1,087	*1,087*	0	1,165	1,165	*959*	0	959	959
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND	59	0	59	*59*	68	0	68	*68*	71	0	71
SALLIE MAE ASSESSMENTS	3	0	3	*3*	4	0	4	*4*	4	0	4
TERRORISM INSURANCE PROGRAM	0	0	0	*0*	5	0	5	*5*	9	0	9
TOTAL, TREASURY LEVEL	**109,952**	**10,808**	**120,760**	**115,915**	**110,224**	**11,749**	**121,973**	**116,675**	**105,964**	**11,498**	**117,462**

1/ As a result of P.L. 107-296, portions of the Departmental Offices, Department-wide Systems and Capital Investments Program, Office of Inspector General and Bureau of Alcohol, Tobacco and Firearms accounts were transferred out of the Department of Treasury. The "Comparative Level" columns reflect the comparative levels of such a transfer for FY 2002 and FY 2003.

DEPARTMENT OF THE TREASURY

FY 2004 President's Budget

Summary of FY 2004 Increases and Decreases

(Dollars in thousands)

BUREAUS/ACCOUNTS	DO	ATSB	T-BARR	SCIP	IG for Treasury	Expanded Access	FINCEN	FMS	TTB	BPD	IRS	ICDE	CDFI	CT Fund	IATA	Program Total
FY 2003 President's Budget	**191,914**	**6,041**	**32,932**	**68,828**	**159,390**	**2,000**	**50,517**	**220,712**	**883,775**	**191,119**	**9,915,853**	**107,576**	**68,000**	**40,000**	**10,000**	**11,948,657**
Adjustment for P.L.107-296	(30,500)	0	0	(31,935)	(24,516)	0	0	0	(803,775)	0	0	0	0	(40,000)	0	(930,726)
Revised FY 2003 Level (Net of Transfers)	**161,414**	**6,041**	**32,932**	**36,893**	**134,874**	**2,000**	**50,517**	**220,712**	**80,000**	**191,119**	**9,915,853**	**107,576**	**68,000**	**0**	**10,000**	**11,017,931**
Non-Recurring Costs - Operations	0	(3,503)	0	0	0	0	0	0	0	0	(35,000)	0	0	0	0	(38,503)
Non-Recurring Costs - Capital Investments	0	0	(7,932)	0	0	0	0	0	0	0	0	0	0	0	0	(7,932)
Non-Recurring Costs - Homeland Security	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
One-Time Costs/Savings	**0**	**(3,503)**	**(7,932)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(35,000)**	**0**	**0**	**0**	**0**	**(46,435)**
GSA Rent Increases - Homeland Security	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Maintain Current Levels of Service	4,198	0	0	0	3,120	0	1,804	4,653	0	4,030	210,237	0	201	0	0	228,243
Special MCLs	546	0	0	0	0	0	208	124	0	114	0	0	0	0	0	992
Pay Annualizations	924	0	0	0	846	0	193	1,117	0	835	56,983	0	48	0	0	60,946
Initiative Annualizations - Homeland Security	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Initiative Annualizations	239	0	0	0	0	0	2,352	0	0	0	0	0	0	0	0	2,591
Inflation Type Increases	**5,907**	**0**	**0**	**0**	**3,966**	**0**	**4,557**	**5,894**	**0**	**4,979**	**267,220**	**0**	**249**	**0**	**0**	**292,772**
Transfers In	0	0	0	0	0	0	446	0	0	0	0	0	0	0	0	446
Transfers Out	(446)	0	0	0	(55)	0	0	0	0	0	0	(107,576)	0	0	0	(108,077)
Transfers	**(446)**	**0**	**0**	**0**	**(55)**	**0**	**446**	**0**	**0**	**0**	**0**	**(107,576)**	**0**	**0**	**0**	**(107,631)**
FY 2004 Current Services	**166,875**	**2,538**	**25,000**	**36,893**	**138,785**	**2,000**	**55,520**	**226,606**	**80,000**	**196,098**	**10,148,073**	**0**	**68,249**	**0**	**10,000**	**11,156,637**
Program Increases	0	0	0	35	0	0	2,051	2,000	0	0	288,468	0	1,751	0	4,000	298,305
Program Reductions	0	0	0	0	(3,836)	(2,000)	0	0	0	(22,400)	0	0	(19,000)	0	0	(47,236)
FY 2004 President's Budget Request	**166,875**	**2,538**	**25,000**	**36,928**	**134,949**	**0**	**57,571**	**228,606**	**80,000**	**173,698**	**10,436,541**	**0**	**51,000**	**0**	**14,000**	**11,407,706**

DEPARTMENT OF THE TREASURY
FY 2004 PRESIDENT'S BUDGET
Explanation of FY 2004 Increases and Decreases

		$$$ in thousands	Direct FTE
FY 2003 PRESIDENT'S BUDGET LEVEL (as amended)		**11,948,657**	**110,224**
Adjustment for P.L. 107-296 (Homeland Security Act of 2002)		**(930,726)**	**(4,983)**
Bureau of Alcohol, Tobacco & Firearms (non-add)		(803,775)	(4,526)
Departmental Offices (non-add)		(30,500)	(226)
Department-wide Systems and Capital Investments Program (non-add)		(31,935)	0
Office of Inspector General (non-add)		(24,516)	(195)
Counter-Terrorism Fund (non-add)		(40,000)	0
REVISED FY 2003 LEVEL (Net of Transfers)		**11,017,931**	**105,241**
Maintaining Current Levels:			
Mandatory Cost Increases		228,243	0
Pay & Benefits (non-add)		*181,197*	*0*
Non-pay (non-add)		*47,046*	*0*
Special MCLs		992	0
Pay Annualizations		60,946	0
Initiative Annualizations (Primarily related to the USA Patriot Act)		2,591	8
One-Time Costs Savings:			
ATSB	Non-recurring Administrative Costs	(3,503)	(2)
IRS	Non-recurring Costs Associated with the Health Insurance Tax Credit	(35,000)	0
TBARR	Non-recurring Costs of Building Repairs and Renovations	(7,932)	0
Proposed Transfers:			
DO	Transfer of Previously Reimbursable Funding	(446)	0
FINCEN	Continue Activities Related to Intelligence Support of Terrorist Financing	446	5
ICDE	Transfer to Justice	(107,576)	0
IG	Transfer to Homeland Security	(15)	0
IG	Transfer to Justice	(40)	0
FY 2004 CURRENT SERVICES LEVEL		**11,156,637**	**105,252**
Program Initiatives:			
CDFI	Increased Administrative Costs	1,751	3
DO	Terrorism Insurance Program	0	4
DSCIP	HR Connect	35	0
FINCEN	Improve Government-wide Data Access Service	845	1
FINCEN	Maintain Pre-Sept 11 Workload/Meet USA Patriot Act Mandates	1,206	9
FMS	Indian and Tribal Trust Fund Litigation	2,000	0
IATA	Technical Assistance Program Increase	4,000	0
IRS	Customer Service	739	10
IRS	Compliance	132,869	1,700
IRS	Counter-Terrorism	5,860	24
IRS	Business Systems Modernization	49,000	0
IRS	Earned Income Tax Compliance Initiative	100,000	650
Program Reductions:			
BPD	Paper Savings Bond Marketing Efforts	(22,400)	(145)
CDFI	CDFI Grant Level	(19,000)	0
EXP	Expanded Access to Financial Services Program	(2,000)	(1)
IG	Audit	(2,611)	(32)
IG	Investigations	(1,225)	(15)
IRS	Re-engineering Efforts	0	(1,496)
FY 2004 PRESIDENT'S BUDGET REQUEST		**11,407,706**	**105,964**

DEPARTMENT OF THE TREASURY

Full Cost of Retirement Benefits Comparison

(Dollars in Thousands)

APPROPRIATED ACCOUNTS	FY 2002	FY 2003	FY 2004
DEPARTMENTAL OFFICES	5,697	6,098	6,510
INSPECTOR GENERAL FOR TREASURY	9,189	9,622	10,271
TREASURY BUILDING & ANNEX REPAIR & RESTORATION	77	82	88
FINANCIAL CRIMES ENFORCEMENT NETWORK	1,459	1,772	1,892
FINANCIAL MANAGEMENT SERVICE	10,471	11,191	11,946
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU	2,753	2,934	3,132
BUREAU OF THE PUBLIC DEBT	8,415	8,668	9,253
INTERNAL REVENUE SERVICE:			
Processing, Assistance, and Management	172,091	191,490	204,416
Tax Law Enforcement	243,910	259,286	276,788
Earned Income Tax Compliance	7,940	8,346	8,909
Information Systems	41,665	43,413	46,343
Subtotal, IRS	465,606	502,535	536,456
TOTAL, Treasury Appropriation Committee	**$503,667**	**$542,902**	**$579,548**
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND	223	255	272
TOTAL, TREASURY LEVEL	**$503,890**	**$543,157**	**$579,820**

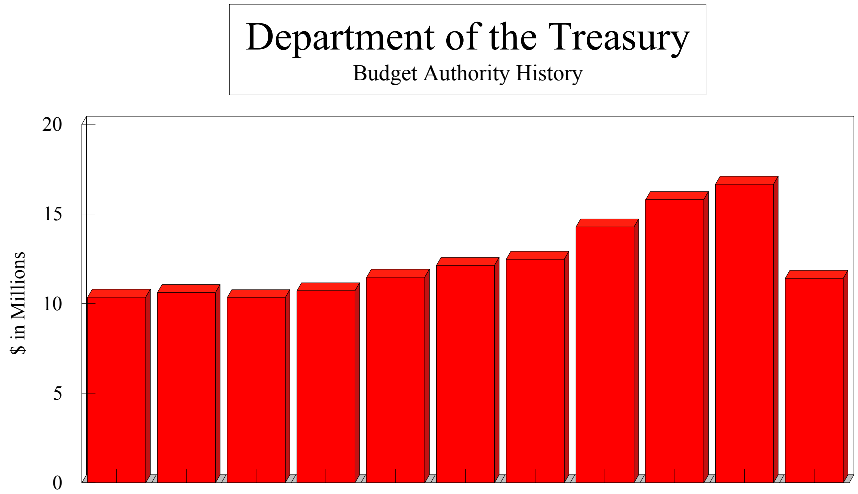
DEPARTMENT OF THE TREASURY

TOTAL FUNDING LEVELS IN THE FY 2004 PRESIDENT'S BUDGET

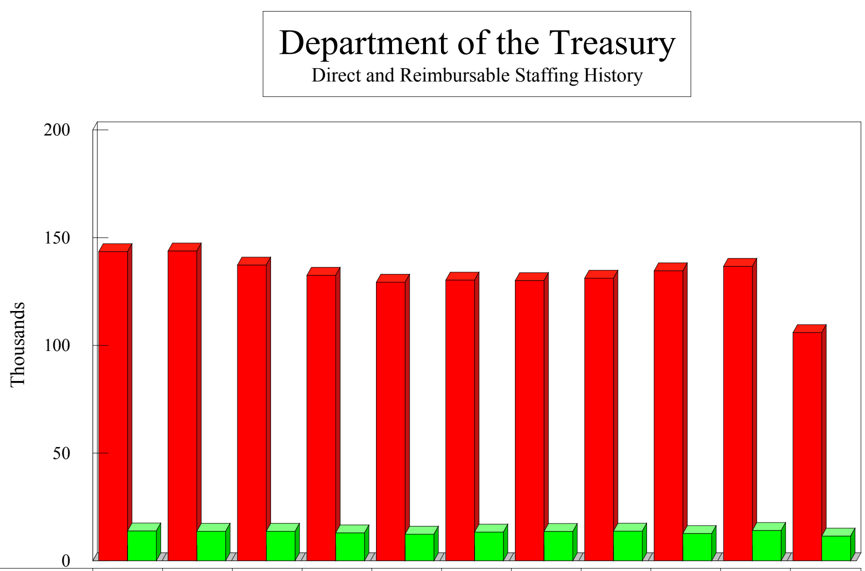
(dollars in millions)

	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	% Inc/Dec
ANNUAL APPROPRIATIONS	**10,545**	**11,018**	**11,408**	**3.5%**
INTEREST PAYMENTS:				
Interest on Public Debt	332,537	328,316	352,335	7.3%
Refunding Internal Revenue Collections, Interest	4,208	3,219	2,689	-16.5%
Interest on Uninvested Funds	6	8	6	-25.0%
Interest Paid To Credit Financing Accounts	4,276	3,787	3,812	0.7%
Restitution of Foregone Interest	183	0	0	0.0%
Federal Interest Liabilities to States	6	4	6	50.0%
Subtotal, INTEREST PAYMENTS	**341,216**	**335,334**	**358,848**	**7.0%**
TRUST FUNDS & OTHER FUNDS:				
Federal Financing Bank	51	52	63	21.2%
Payment to Resolution Funding Corp	675	1,191	1,707	43.3%
Check Forgery Insurance Fund	0	3	3	0.0%
Payment to Terrestrial Wildlife Habitat Restoration Trust Fund	5	5	5	0.0%
Air Transportation Stabilization Program Account	172	506	3	-99.4%
U.S. Mint Revolving Fund	13	0	0	0.0%
Subtotal, TRUST FUNDS & OTHER FUNDS	**916**	**1,757**	**1,781**	**1.4%**
PERMANENT AUTHORITY APPROPRIATIONS:				
Presidential Election Campaign Fund	67	67	67	0.0%
Terrorism Insurance Program	0	8	9	12.5%
Sallie Mae Assessments	0	1	1	0.0%
Continued Dumping and Subsidy Offset	312	321	331	3.1%
Treasury Forfeiture Fund	178	221	0	-100.0%
Debt Collection Special Fund	35	28	30	7.1%
Claims, Judgments & Relief Acts	1,850	921	935	1.5%
Federal Reserve Bank Reimbursement by --				
FMS	84	135	536	297.0%
BPD	131	133	131	-1.5%
Government Losses in Shipment	1	1	0	-100.0%
Collection of Taxes for Puerto Rico by --				
TTB	341	355	364	2.5%
IRS New and Existing Fees	70	70	70	0.0%
IRS Informant Payments	9	3	3	0.0%
IRS Private Collection Agencies	0	0	2	N/A
Payment where Child Credit exceeds liability for tax	5,060	6,170	6,937	12.4%
Payment where EITC exceeds liability for tax	27,826	30,606	31,375	2.5%
Payment where failing School Credit exceeds liability for tax	0	0	213	N/A
Payment where Health Care Credit exceeds liability for tax	0	4	212	5200.0%
Subtotal, PERMANENT AUTHORITY APPROPRIATIONS	**35,964**	**39,044**	**41,216**	**5.6%**
OFFSETTING COLLECTIONS	**(18,054)**	**(18,058)**	**(20,897)**	**15.7%**
OTHER ADJUSTMENTS	**(13)**	**(14)**	**(15)**	
TOTAL, DEPARTMENT OF THE TREASURY	**370,574**	**369,081**	**392,341**	**6.3%**

FY 1994 - FY 2004
BUDGET AUTHORITY/FTE STAFFING HISTORY



	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Appropriations	$10,353	$10,614	$10,329	$10,712	$11,471	$12,135	$12,473	$14,275	$15,800	$16,654	$11,408

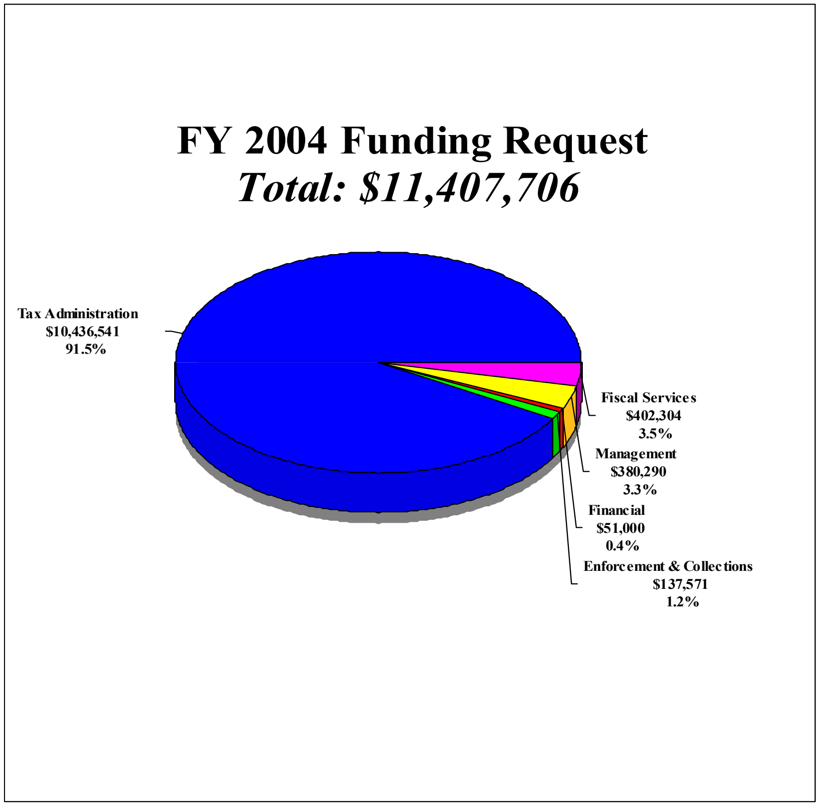


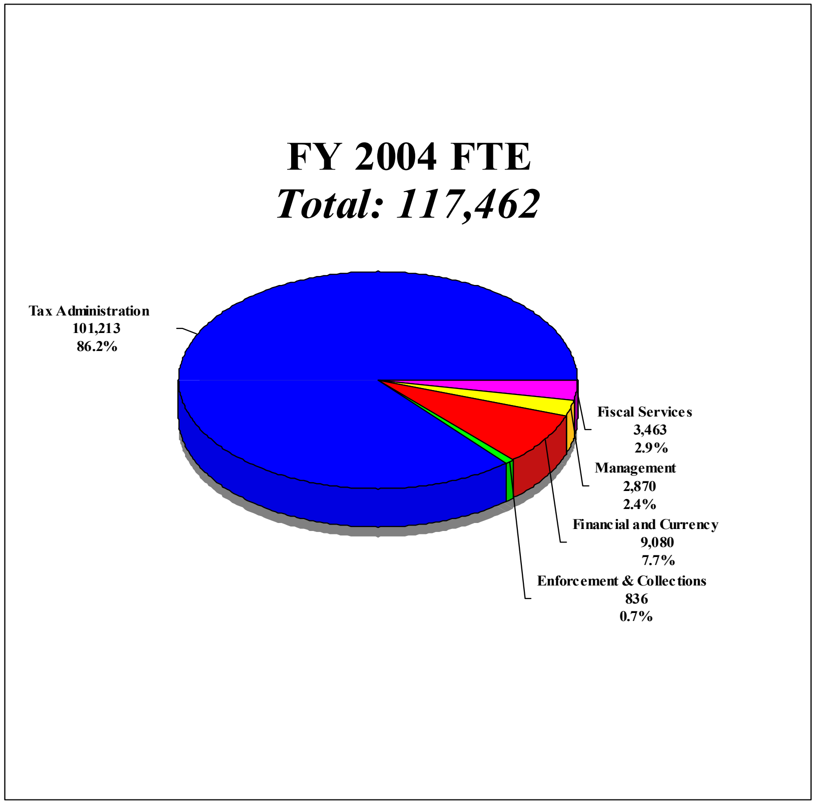
	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Direct	143,508	143,804	137,300	132,507	129,345	130,299	130,086	131,176	134,577	136,711	105,964
Reimbursable	13,837	13,677	13,718	12,974	12,382	13,363	13,629	13,812	12,678	14,076	11,498
Total	157,345	157,481	151,018	145,481	141,727	143,662	143,715	144,988	147,255	150,787	117,462

DEPARTMENT OF THE TREASURY

FY 2004 President's Budget

(dollars in thousands)





Departmental Offices

Program Summary *(dollars in millions)*					
Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or Decrease	
				$millions	percent
Salaries and Expenses	177.1	191.9	166.9	-25.0	-13.0%
Treasury Building and Annex Repair and Restoration	28.9	32.9	25.0	-7.9	-24.0%
Air Transportation Stabilization Program	9.4	6.0	2.5	-3.5	-58.3%
Expanded Access for Financial Services	2.0	2.0	0.0	-2.0	-100.0%
Appropriation	**217.4**	**232.8**	**194.4**	**-38.4**	**-16.5%**

Explanation of FY 2004 Request

The budget for Departmental Offices (DO) reflects the transfer of certain Treasury bureaus and programs to either the newly-created Department of Homeland Security (DHS) or to the Department of Justice (DOJ) as a result of Public Law 107-296, The Homeland Security Act of 2002. Specifically, the United States Secret Service (USSS), the United States Custom Service (USCS) and the Federal Law Enforcement Training Center (FLETC) are transferred to the Department of Homeland Security in FY 2003, and a major portion of the Bureau of Alcohol, Tobacco and Firearms (ATF) was transferred to the Department of Justice. The rest of ATF remains at Treasury as the Alcohol and Tobacco Tax and Trade Bureau (TTB). As a result of these and other changes, the entire resources of DOs' Office of Enforcement are transferred out to DHS and DOJ by FY 2004.

The budget for DO also reflects the maturation of the Treasury Building and Annex Repair and Restoration program, diminished requirements of the Air Transportation Stabilization Board and the discontinuation of new funding for the Expanded Access for Financial Services program.

In this new structure, the DO will continue to formulate and oversee implementation of domestic and international finance, tax, economic, and management policies of both the Department and of the Federal government.

Purpose of Program

The Salaries and Expenses appropriation supports the policy and oversight activities of the Secretary and his staff for Treasury Department areas of responsibility. These areas include the implementation and management of domestic and international financial services, tax, and economic policies that may pertain to either the Department or the Federal Government.

Departmental Offices

Program Description and Benefits

Activities of the Departmental Offices include:

- **Economic Policy:** Monitoring current and prospective macro- and micro-economic developments; collecting and analyzing international financial data, including foreign credits and credit guarantees; and supporting consistency of government-wide economic programs; executing U.S. international financial policies; analyzing international trade and investment functions and researching financial issues;
- **Financial Policy:** Developing tax policies and programs; officially estimating all governmental receipts; reviewing regulations and rulings to administer the Internal Revenue Code; negotiating tax treaties for the United States; providing economic and legal policy analysis; overseeing domestic finance, banking and financial institutions, financial markets; community development; government asset privatization; public debt financing, daily government cash flow, and the Debt Collection Improvement Act;
- **Treasury-wide Management Policy**: Implementing the functions of the Chief Financial Officer (CFO), the Government Performance and Results Act (GPRA), and the Information Technology Management Reform Act, which includes efficient and effective use of the Treasury's assets and resources.
- **Treasury-wide Financial Statement Audits:** The function of the Treasury-Wide Financial Statement Audit is to provide resources for audits for Departmental Offices and Treasury bureaus.
- **Office of Foreign Asset Control:** The function of the Office of Foreign Asset Control is to help the Federal Government seize terrorist assets as well as implement financial sanctions which freezes terrorist assets.

Program Performance

During FY 2004, DO will continue exercising Treasury's policymaking and oversight responsibilities. Domestically, DO will be tracking, among other things, Treasury's impact on the growth and stability of domestic financial institutions and markets, fair and efficient taxation, the index of borrowing policies and borrowing requirements to financial market participants, and the development of sound and effective economic policies. Internationally, DO will be working to maintain or improve the economic conditions in developing countries, developing debt reduction agreements for poor countries, and meeting current U.S. financing commitments, including paying all arrears to multilateral development banks.

Internally, DO will continue implementing the President's Management Agenda. DO will lead efforts to enhance bureau and departmental management operations and performance by improving the quality and timeliness of financial systems information, effectively monitoring the investment and tracking of assets, and improving acquisition and competition practices.

Department-wide Systems and Capital Investment Program

Program Summary *(dollars in millions)*					
Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or Decrease	
				$millions	percent
HR Connect:					
Development	6.7	8.2	8.2	0.0	0.0%
Deployment	2.7	3.2	3.2	0.0	0.0%
Infrastructure	6.8	7.0	7.0	0.0	0.0%
Operation and Maintenance (incl. IRS)	9.6	7.4	7.6	0.2	2.7%
Subtotal, HR Connect:	**25.8**	**25.8**	**26.0**	**0.2**	**0.8%**
Integrated Treasury Network (ITN--"Wireless"):					
Program Management	3.2	3.2	0.0	-3.2	-100.0%
Systems Development	7.3	7.3	0.0	-7.3	-100.0%
Narrowband Equipment	15.4	21.4	0.0	-21.4	-100.0%
Subtotal, ITN	**25.9**	**31.9**	**0.0**	**-31.9**	**-100.0%**
Asset Management Information System	0.2	0.2	0.0	-0.2	-100.0%
Treasury-wide Information Technology Architecture	0.2	0.2	0.2	0.0	0.0%
Treasury Back-up Capacity	8.7	1.7	1.7	0.0	0.0%
Critical Infrastructure Protection	8.0	9.0	9.0	0.0	0.0%
Appropriation	**68.8**	**68.8**	**36.9**	**-31.9**	**-46.4%**

Explanation of FY 2004 Request

- **Human Resources:** The budget request continues the development and operation of *HR Connect* for management of human skills and talents by adopting proven information systems approaches to integrating personnel information. The *HR Connect* program will continue to improve and expand its scope by introducing new technology, implementing new functionality, and increasing its customer base while maintaining a high degree of customer service and product quality. Treasury anticipates incorporating significant enhancements and modifications to previous *HR Connect* releases based on inputs and business needs from deployed Treasury bureaus.

- **Integrated Treasury Network - "Wireless":** Treasury's budget request proposes the transfer of this important initiative to the Department of Justice where it can best be managed for enforcement bureaus.

- **Critical Infrastructure:** Critical Infrastructure Protection (CIP) resources are required to sustain current CIP efforts, including those associated with National Security Emergency Preparedness and Homeland Security. One of the most sensitive and essential sectors of our National Critical Infrastructure areas is the Banking and Financial (B&F) sector. Treasury must continue its Research and Development efforts to address the emerging threats posed from unfriendly foreign nations, terrorists and criminals, which create increased vulnerabilities especially as the B&F community

Department-wide Systems and Capital Investment Program

moves from its traditional protected systems to the world of e-commerce and internet banking. Efforts in the areas of authentication technologies and physical and electronic protection technologies are particularly critical and must continue.

- ❑ **Treasury Back-up/Disaster Recovery Capacity:** Treasury's request continues efforts on the disaster recovery initiative of the Chief Information Officer (CIO) organization. This effort is critical to protect many of Treasury's technology systems and continuity of operations for key Treasury officials and functions in the event of a disaster. This project represents a commitment to safeguard IT infrastructure and to ensure consistencies through the planning and implementation phases of critical efforts.

Purpose of Program

The Department-wide Systems and Capital Investments Program budget addresses issues having Departmental stature because they are cross-cutting among Treasury bureaus or involve Treasury interface with other government agencies.

Program Performance

Bureaus deriving support from this appropriation reflect its beneficial results within their respective performance measures.

Inspector General for Treasury

Program Summary *(dollars in millions)*					
Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or Decrease	
				$millions	percent
Salaries and Expenses	0.0	0.0	134.9	134.9	n/a

Explanation of FY 2004 Request

To maximize efficiencies and effectiveness, legislative language is being proposed in the President's Budget which will merge the Treasury Office of the Inspector General and the Treasury Inspector General for Tax Administration into a new Inspector General office, called the Inspector General for Treasury. The new organization will have all of the same powers and authorities under current law. Some designated functions are being transferred to the Department of Homeland Security and the Department of Justice.

Purpose of Program

The Inspector General for Treasury conducts and supervises audits, investigations, and evaluations to assess the operations and programs of the bureaus and offices of the Department of the Treasury: (1) promote the economy, efficiency, and effectiveness of Departmental programs and operations by preventing fraud, waste, and abuse in those programs and operations, (2) keep the Secretary and the Congress fully and currently informed of these issues and the progress made toward resolving them, (3) review existing and proposed legislation and regulations relating to the programs and operations of the Department, and make recommendations concerning the impact of such legislation and regulations on the economy and efficiency in the administration of programs and operations of the Department of the Treasury.

The audit function provides program audit, contract audit, information technology audit, and financial statement audit services. Program audits review and audit all facets of agency programs and operations and related entities. Contract audits provide professional advice to agency contracting officials on accounting and financial matters relative to negotiation, award, administration, repricing, and settlement of contracts. Information technology audits review all aspects of the acquisition, implementation, and security of electronic systems. Financial statement audits assess whether financial statements fairly present the agency's financial condition and results of operations, the adequacy of accounting controls, and compliance with laws and regulations. These audits contribute significantly to improved financial management by helping Treasury managers identify improvements needed in their accounting and internal control systems.

The evaluations function reviews program performance and issues critical to the mission of the Department of the Treasury, including assessing the Department's implementation of the Government Performance and Results Act. The investigative function provides for the detection, investigation of and protection against improper and illegal activities involving programs, personnel, and operations of Department of the Treasury including external attempts to corrupt or threaten their employees, systems and facilities.

Inspector General for Treasury

Program Description and Benefits

The IGT's responsibilities funded by this appropriation include:

- Providing a means to keep the Secretary and Congress fully and currently informed of problems and deficiencies relating to the administration of the Department's programs and operations.
- Promoting economy, efficiency and effectiveness through audit and investigative services which help the Department and its bureaus identify areas to improve programs and operations to fulfill their missions.
- Detecting and preventing fraud, waste, and abuse with audits and investigations to protect against attempts to corrupt or threaten programs, operations, the employees of Treasury, the IRS Oversight Board, Chief Counsel of the IRS, and to promote effective integrity awareness and fraud deterrence.
- Protecting Taxpayer Rights and Privacy by conducting performance and financial audits of IRS operations, focusing on strengthening the internal control environment, improving customer service, and increasing compliance and productivity.

Program Performance

A detailed performance plan for FY 2004 will be presented with the Treasury FY 2005 Justification for Appropriation and Performance Plan.

Counter-Terrorism Fund

Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or Decrease	
				$millions	percent
Counter-Terrorism Fund	40.0	40.0	0.0	-40.0	-100.0%

Explanation of FY 2004 Request

Pursuant to Public Law 107-296, The Homeland Security Act of 2002, the Counter-Terrorism Fund was transferred to the new Department of Homeland Security. FY 2004 budget and performance information for this bureau can be obtained from the Department of Homeland Security.

Financial Crimes Enforcement Network

Program Summary *(dollars in millions)*					
Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or Decrease	
				$millions	percent
Salaries and Expenses	47.5	50.5	57.5	7.0	13.8%

Explanation of FY 2004 Request

The Financial Crimes Enforcement Network (FinCEN) request will enable FinCEN to strengthen its law enforcement investigative support efforts to combat money laundering and other financial crimes, the illicit proceeds of which are used to finance terrorism and other criminal activities. The request will also allow FinCEN to expand or begin implementation of critical programs to address actions mandated by the USA Patriot Act of 2001, including, but not limited to expansion of the Bank Secrecy Act (BSA) to new industries, monitoring the establishment of anti-money laundering programs in all financial institutions, and acceleration of efforts to enable electronic filing of BSA data.

In addition, FinCEN's request is expected to maintain the direction of essential program components and support Treasury's strategic goals, while promoting fiscal discipline by achieving greater efficiency in the management of resources.

Purpose of Program

FinCEN supports law enforcement investigative efforts and fosters interagency and global cooperation against domestic and international financial crime. FinCEN also provides U.S. policymakers with strategic analysis of domestic and worldwide money laundering developments, trends, and patterns. FinCEN works toward these ends through information collection, analysis, and sharing, as well as technological assistance, and innovative, cost-effective implementation of the Bank Secrecy Act and other Treasury authorities.

Program Description and Benefits

FinCEN's responsibilities funded by this appropriation include:

- Providing quality and timely investigative support and networking to FinCEN's customers in the fight against money laundering, terrorist financing, and other financial crimes;
- Providing useful information to law enforcement, regulatory partners, and financial institutions about trends, patterns, and issues associated with money laundering and other financial crimes;
- Effectively administering the Bank Secrecy Act in order to support the prevention and detection of money laundering, terrorist financing, and other financial crimes; and
- Establishing and strengthening mechanisms for the exchange of information globally, and engage, encourage, and support international partners in taking necessary steps to combat money laundering, terrorist financing, and other financial crimes.

Financial Crimes Enforcement Network

Program Performance

FinCEN expects to achieve the following levels of performance in selected program areas in FY 2004 subject to requested funding:

- ❑ Enhance ability to provide useful information to law enforcement, regulators, and financial institutions about trends, patterns, and issues related to suspicious financial transactions and other money laundering/financial crimes which fuel terrorism and other criminal activities;

- ❑ Effectively administer additional requirements mandated by the USA Patriot Act of 2001 and subsequent regulatory requirements;

- ❑ Strengthen and expand mechanisms for exchange of information globally to enhance the global fight against terrorism and money laundering that fuels criminal activities;

- ❑ Continue to increase the number of cases worked directly by customers by expanding access and offering users new options for connecting the BSA databases; and,

- ❑ Increase the number of investigative cases networked among law enforcement agencies and continue to improve investigative case reports to meet customer expectations.

Federal Law Enforcement Training Center

Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or Decrease $millions	percent
Salaries and Expenses	128.7	122.4	0.0	-122.4	-100.0%
Acq., Constr., Improv., and Related Expense	41.9	23.3	0.0	-23.3	-100.0%
Appropriation	**170.6**	**145.7**	**0.0**	-145.7	-100.0%

Explanation of FY 2004 Request

Pursuant to Public Law 107-296, The Homeland Security Act of 2002, the Federal Law Enforcement Training Center was transferred to the new Department of Homeland Security. FY 2004 budget and performance information regarding this bureau can be obtained from the Department of Homeland Security.

Financial Management Service

Program Summary *(dollars in millions)*					
Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or Decrease	
				$millions	percent
Salaries and Expenses	213.0	221.0	229.0	8.0	3.6%

Note: The FY 2002 enacted level presented it this chart does not include a $14 million rescission of unobligated balances per Public Law 107-206. The rescinded amount is presented in the FMS Salaries and Expenses section of the President's Budget Appendix.

Explanation of FY 2004 Request

The Financial Management Service (FMS) continues to work toward becoming a *World Class* organization consistent with the President's Management Agenda. FMS is reviewing programmatic efforts on a continual basis to reduce or remove those producing little or no programmatic value in redirecting those resources to program priority. In FY 2004, FMS seeks additional funding to support the Indian Trust Fund Litigation reflecting FMS' increased court-ordered responsibilities.

Purpose of Program

FMS' activities encompass all work performed to improve the quality of government financial management and include: implementing payment policy and procedures for the Federal Government, issuing and distributing payments, promoting the use of electronic methods in payment and collection processes, assisting agencies in converting payments from paper checks to electronic funds transfer (EFT), operating the Federal government's collection and deposit systems, centrally managing and collecting delinquent debts owed to the Federal Government, and providing government-wide accounting and reporting services.

Program Description and Benefits

FMS' responsibilities funded by this appropriation include:

- Producing accurate, accessible, and timely government-wide financial information and reports which contribute to improved quality of the Nation's financial decision making by providing financial accounting and reporting services for the Government-at-large, collecting financial information from Federal program agencies and publishing government-wide financial reports.

- Providing Federal payments timely and accurately, moving toward an all - electronic Treasury for payments, and determining the optimal payment processing environment for the future by disbursing more than $1 trillion in payments to Social Security beneficiaries, Federal employees, government vendors and others; and expanding the use of electronic funds transfers for these payments.

- Providing timely collection of Federal Government receipts, at the lowest cost, through an all-electronic Treasury by administering the world's largest collections system, collecting over $2 trillion annually through both electronic and paper-based mechanisms and developing government-wide solutions to convert paper collections to electronic.

Financial Management Service

- Facilitating the achievement of a clean/unqualified audit opinion on the *Financial Report of the U.S. Government* through FMS' internal operations and support to Government agencies in support of the Government Management Reform Act of 1994, which requires annual financial statements for the U. S. Government as a whole and 24 major agencies.

- Maximizing collection on government delinquent debt by providing efficient and effective centralized debt collection services by managing government-wide delinquent debt collections as required by the Debt Collection Improvement Act of 1996 (DCIA). This includes maintaining and operating the Treasury Offset Program (TOP), a centralized offset program developed by FMS to assist Federal agencies and states in the collection of delinquent debts. FMS also operates the Cross-servicing Program, a centralized debt collection process that collects delinquent debts referred from Federal program agencies through the use of various tools, including private collection agencies.

- Establishing policies and processes to facilitate the integration of e-commerce technologies into the payments and collections infrastructure by maintaining current systems that support the vast majority of Federal EFT payments and collections made via the Automated Clearing House (ACH), the Federal Reserve Fedwire System, and by credit card.

Program Performance

FMS expects to achieve the following levels of performance in selected program areas in FY 2004, subject to requested funding:

- Process paper check and EFT payments timely and accurately 100 percent of the time.

- Adjudicate 94 percent of forgery and non-receipt check claims within 14 days.

- Make 75 percent of Treasury payments and associated information available electronically.

- Collect electronically 81 percent of the total dollar amount of Federal government receipts.

- Manage $10 billion in lockbox collections through Pay.gov.

- Increase debt collection to $2.9 billion through all available tools.

- Increase to 90 percent the amount of delinquent debt referred to Treasury for collection, compared to the amount of delinquent debt that is eligible for referral.

- Issue timely and accurate Government-wide accounting reports.

- Work with agencies to achieve a clean/unqualified audit opinion on the *Financial Report of the U.S. Government*.

Bureau of Alcohol, Tobacco and Firearms

Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or Decrease $millions	Increase or Decrease percent
Salaries and Expenses	854.7	883.8	0.0	-883.8	-100.0%

Explanation of FY 2004 Request

Pursuant to Public Law 107-296, The Homeland Security Act of 2002, the Alcohol, Tobacco, Firearms and Explosives portion of the Bureau of Alcohol, Tobacco and Firearms was transferred to the Department of Justice. This legislation also creates the Alcohol & Tobacco, Tax and Trade bureau that is retained within the Department of Treasury.

Information regarding the portion of ATF that was transferred can be obtained from the Department of Justice. Information regarding the Alcohol and Tobacco Tax and Trade Bureau can be found in the following tab.

Alcohol and Tobacco Tax and Trade Bureau

Program Summary *(dollars in millions)*					
Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or Decrease	
				$millions	percent
Salaries and Expenses	0.0	0.0	80.0	n/a	n/a

Explanation of FY 2004 Request

The Alcohol and Tobacco Tax and Trade Bureau (TTB) is a newly formed bureau carved from the Department of Treasury's former Bureau of Alcohol, Tobacco and Firearms. The FY 2004 request supports the full year costs of the first year of TTB's operation. This funding level supports TTB's responsibility for revenue collection and enforcement of laws and regulations governing alcohol and tobacco commodities. Funding in FY 2004 also supports the revenue collection function for the firearms and ammunition excise tax. To this end, TTB is working to address the essential requirements for inspections and investigations associated with the alcohol and tobacco commodities. Additionally, TTB reviews all performance measures to capture essential areas of interest and develop methods and procedures that can best achieve the stated goals.

Purpose of Program

TTB collects significant revenues for the government and performs crucial investigations of tax fraud and deception associated with alcohol and tobacco commodities. TTB works to ensure the public's safety through its efforts of commodity testing and enforcement of labeling regulations for alcohol beverage products.

Program Description and Benefits

Collecting the Revenue: *To maintain a sound revenue management and regulatory system that continues to reduce the taxpayer burden, improve service, collect the revenue due, and prevent tax evasion and other criminal conduct*, TTB is furthering advancements in electronic filing and modernizing the document processing to ensure all eligible revenues are collected effectively and timely managed. TTB investigates and assists with the prosecution of business entities suspected of being involved in tax evasion schemes, including diversion and smuggling of taxable commodities.

Protecting the Public: *To protect the public and prevent consumer deception in TTB's regulated commodities, TTB enforces compliance with Federal laws related to the production and distribution of alcohol and tobacco products through education, inspection, laboratory testing, and investigation.* TTB works with industry, State governments, and other interested parties to make it easier to comply with regulatory requirements. Technical expertise, training, information, and research results are provided to industry members, government agencies and others in order to better protect the public. TTB relies on innovation, partnerships, and open communication to ensure the safety of the public.

Alcohol and Tobacco Tax and Trade Bureau

Program Performance

TTB will pursue the following levels of performance for FY 2004, subject to funding.

- Collect $15.1 billion in taxes and fees from the alcohol, tobacco, firearms and explosives industries.

- Collect $211 in taxes and fees for every dollar of appropriated funding expended.

- Achieve, as a minimum, 1 percent of taxpayers filing excise tax returns and monthly operating reports electronically.

- 50 percent of label approval applications submitted and processed electronically.

Bureau of Engraving and Printing

Program Summary *(dollars in millions)*					
Appropriation Title	FY 2002 Actual	FY 2003 Estimate	FY 2004 Estimate	Increase or Decrease	
				$millions	percent
Revenue	443.0	505.0	516.0	11.0	2.2%

Explanation of FY 2004 Request

With this level of revenue, the Bureau of Engraving and Printing will maintain its capability to produce and deliver quality U.S. currency, postage stamps, and other government securities to its customers. It will do so in the most cost-effective manner, while aggressively implementing a major redesign of currency through a coordinated program to update technology, develop the workforce and improve work processes. Significant resource investments have and will be made as the Bureau makes final preparations for the production of redesigned, next generation currency.

The new currency design will include additional sophisticated counterfeit deterrent features to complement and strengthen the array of features in the present design. New counterfeit deterrent features are included in currency paper and inks as well as new print designs that add color to the notes. Production of next generation design is necessary to thwart the technological advances available to counterfeiters, and to maintain the integrity of the Nation's money supply. This effort required a multi-million dollar capital investment in printing technology, personnel and support processes. An expansion of the Western Currency Facility is scheduled for completion in early 2003 to accommodate this new technology.

Purpose of Program

The BEP operates under authority conferred upon the Secretary of the Treasury by 31 U.S.C. 321 (a)(4) to engrave and print currency and security documents. The operations of BEP are financed by means of a revolving fund. BEP is reimbursed by customer agencies through product sales for the direct and indirect costs of operations, including administrative expenses, and acquisition of capital equipment and working capital. This precludes requests for appropriations.

Program Description and Benefits

The BEP's responsibilities funded by this authority include:

- Designing, manufacturing, and supplying U.S. currency, postage, and various government securities.
- Accounting for and destroying security waste products.
- Providing maintenance services for BEP's buildings, plants, machinery and equipment.
- Conducting research and development programs for improving the quality of products, reducing manufacturing costs, and strengthening deterrents to counterfeiting of government securities.

Bureau of Engraving and Printing

Program Performance

BEP expects to achieve the following levels of performance in selected program areas in FY 2004:

- The percent of Federal Reserve orders of an expected demand production of 8.5 billion currency notes is met 100% of the time.1

- The percent of United States Postal Service orders of an expected 7.5 billion postage stamps is met 100% of the time.[1]

- The number of currency shipment discrepancies in overages or underages in shipments of finished notes to the Federal Reserve Banks per million notes will be less than .0100.

- A target will be set for the percent of currency notes delivered to the Federal Reserve that meet customer quality requirements based on a baseline established in FY 2003. This measure is more rigorous than the previous number of notes returned due to manufacturing defects as it includes all both overt and covert functions as designed.

1 Targets are subject to change pending final orders from the customer agency.

U.S. Mint Public Enterprise Fund

Program Summary *(dollars in millions)*					
Appropriation Title	FY 2002 Actual	FY 2003 Estimate	FY 2004 Estimate	Increase or Decrease	
				$millions	percent
Revenue *	802.0	1,010.0	1,035.0	25.0	2.5%

Explanation of FY 2004 Request

In FY 2004, the Mint plans to deliver 18.3 billion circulating coins to the Federal Reserve System and 16 million products to numismatic customers. This includes 4.4 billion circulating quarters for the sixth year of the Fifty States Commemorative Coin Program, with the issuance of the next five coins in the ten-year series. The Thomas A. Edison Commemorative Coin and the Lewis and Clark Expedition Commemorative Coin programs will be featured in FY 2004. In addition, the Mint will continue implementation of its new strategic plan to become a *World Class* organization consistent with the President's Management Reform Agenda. The Mint is reviewing programmatic efforts on a continual basis to reduce or remove those producing little or no programmatic value. Budget and performance integration, as part of the President's Management Agenda, requires this kind of business review, with the emphasis on best results at the lowest total cost.

Purpose of Program

The U. S. Mint manufactures and delivers domestic circulating coinage and numismatic and bullion products, and provides security over assets, including the government's stock of gold and silver bullion, coins, and coinage metals. These activities are financed by the Mint Public Enterprise Fund, a revolving fund authorized by Public Law 104-52 (31 U.S.C. §5136). This precludes the need for requests for appropriations.

Program Description and Benefit

The responsibilities of the United States Mint Public Enterprise Fund include:

- Manufacturing and distributing circulating coinage to meet Federal Reserve demand;

- Manufacturing, marketing, and distributing numismatic and bullion coins, medals, and other products for sale to collectors and the general public; and

- Protecting Mint facilities, including the government's stock of gold and silver bullion, coins, and coinage metals at Mint locations.

*Revenue reported in the President's budget shown above is as defined by government accounting rules, and is known as offsetting receipts. In the Mint's Congressional justification a more traditional business definition of revenue is used, the total receipts from the sale of Mint products to its customers (the public and the Federal Reserve). This provides the basis for the Mint's performance based budget, and is part of the calculation used in determining the off-budget transfer of seigniorage to the Treasury general fund.

U.S. Mint Public Enterprise Fund

Program Performance

The Mint expects to achieve the following levels of performance toward bureau-wide targets in FY 2004:

- Inventory Turnover – reduce the cost to store and carry inventory by increasing the number of times per year in which the average inventory is sold to 3.3 from 1.6 in FY 2002.

- Yield – increase the percentage of raw material that is transformed into finished goods from 86% in FY 2002 to 97% in FY 2004.

United States Customs Service

Program Summary *(dollars in millions)*					
Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or Decrease	
				$millions	percent
Salaries and Expenses	2,501.3	2,225.0	0.0	-2,225.0	-100.0%
Air/Marine Operation & Maintenance	184.6	170.8	0.0	-170.8	-100.0%
Automation Modernization	427.8	435.3	0.0	-435.3	-100.0%
Harbor Maintenance Fee Collections	3.0	3.0	0.0	-3.0	-100.0%
Program Request	**3,116.7**	**2,834.1**	**0.0**	**-2,834.1**	-100.0%

Explanation of FY 2004 Request

Pursuant to Public Law 107-296, The Homeland Security Act of 2002, the United States Customs Service was transferred to the new Department of Homeland Security. FY 2004 budget and performance information regarding this bureau can be obtained from the Department of Homeland Security.

Bureau of the Public Debt

Program Summary *(dollars in millions)*					
Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or Decrease	
				$millions	percent
Salaries and Expenses	191.4	195.5	178.1	-17.4	-8.9%
Offsetting Maintenance fees	-4.4	-4.4	-4.4	0.0	0.0%
Totals	187.0	191.1	173.7	-17.4	-8.9%

Explanation of FY 2004 Request

The request for the Bureau of the Public Debt (BPD) maintains a program level consistent with the current level of effort necessary to borrow the money needed to operate the Federal Government and to account for the resulting public debt. In addition, BPD is working toward becoming a *World Class* organization consistent with the President's Management Reform Agenda. BPD is reviewing programmatic efforts on a continual basis to reduce or remove those producing little or no programmatic value.

In FY 2004, Public Debt is reducing resources devoted to marketing paper saving bonds. As a first step in the transition to an all electronic environment, Public Debt introduced its new *TreasuryDirect* system which will ultimately offer "one-stop shopping" for the full range of Treasury securities.

Purpose of Program

This appropriation is used to administer the laws and regulations pertaining to: public debt financing; accounting for the public debt and related interest costs; and the issuance, servicing, and retirement of public debt securities.

Program Description and Benefits

BPD's responsibilities funded by this appropriation include:

- **Economic Policy - Marketable Securities:** Implementing regulations governing the primary issuance of Treasury securities and secondary market transactions involving government securities.

- **Fiscal and Financial Policy:** Issuing and servicing of Treasury securities; conducting transactions on outstanding securities including exchanges, transfers and redemptions; receiving, auditing, recording, storing, and destroying redeemed securities and interest coupons; protecting the investor by adjudicating claims on lost, stolen or destroyed securities.

Bureau of the Public Debt

- **Fiscal and Financial Policy – Accurate and Timely Information:** Establishing and maintaining accurate records of the sale and redemption of savings bonds; managing, issuing and accounting for investments on behalf of more than 200 Government agencies and Federal Trust Funds; conducting auctions, and announcing auction results in a timely manner; and recording and reporting accurate financial data concerning the public debt.

- **Management Policy – Customer Service:** Providing quality customer service and convenience to the investor by making savings securities available through a nationwide network of financial institution issuing and paying agents; by issuing marketable securities directly and through the Federal Reserve Banks; and by enabling investors to request information and complete financial transactions using emerging electronic technologies.

Program Performance

BPD expects to achieve the following levels of performance in selected program areas in FY 2004, subject to requested funding:

- Provide accurate and timely public debt accounting information.

- Receive unqualified audit opinions on the Schedule of Federal Debt and Loans Receivable.

- Provide quality service to purchasers of savings bonds by:
  - Issuing 99.95 percent of over-the-counter savings bonds in three weeks; and,
  - Completing 90 percent of customer service transactions within 13 business days.

- Meet the borrowing needs of the Federal Government by:
  - Conducting 100 percent of marketable securities auctions without error; and,
  - Announcing auction results within 2 minutes $\pm$ 30 seconds 95 percent of the time.

- Provide quality service to investors in Treasury marketable securities by:
  - Completing 90 percent of *TreasuryDirect* customer service transactions within three weeks;
  - Making 100 percent of *TreasuryDirect* and Commercial Book Entry interest and redemption payments timely and accurately; and,
  - Processing Federal Investment Program transactions timely and accurately.

- Enhance customer service satisfaction in the Savings Securities and Marketable Securities Activities.

- Enhance employee satisfaction in the Savings Securities and Marketable Securities Activities.

Internal Revenue Service

Program Summary *(dollars in millions)*					
Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or $millions	percent
Processing, Administration and Management	3,810.9	3,958.3	4,074.7	116.4	2.9%
Tax Law Enforcement	3,542.9	3,729.1	3,976.6	247.5	6.6%
Information Systems	1,569.2	1,632.4	1,670.0	37.6	2.3%
Business Systems Modernization	405.6	380.0	429.0	49.0	12.9%
EITC Compliance	146.0	146.0	251.2	105.2	72.1%
Health Insurance Tax Credit Administration	0.0	70.0	35.0	-35.0	n/a
Total Appropriation	9,474.6	9,915.8	10,436.5	520.7	5.3%

Explanation of FY 2004 Request

The Internal Revenue Service (IRS) Budget request for FY 2004 builds on the progress it has made on modernizing its organization and systems. The request also supports IRS's three strategic goals: Service to Each Taxpayer, Service to all Taxpayers, and Productivity through a Quality Work Environment.

To better serve each taxpayer, IRS will continue to improve telephone level of service and expand electronic filing options. The FY 2004 request will support efforts already underway to improve the automatic routing of taxpayer calls to specially trained employees. IRS is also requesting an additional $100 million to re-engineer its administration of the Earned Income Tax Credit program. IRS is proposing to develop new procedures that would prevent fraud from occurring by implementing a pre-qualification system.

To serve all taxpayers, IRS is continuing its efforts to strengthen compliance and increase fairness for all taxpayers. IRS is requesting $133 million for additional staff to strengthen compliance, particularly in areas of high risk for non-compliance such as tax shelters, and abusive tax schemes. IRS is also re-engineering the collection process in two key ways. First, IRS will identify high risk accounts early enough to intervene immediately. Second, it is proposing to employ contract collection agents. These efforts will be supported with improved technological tools. No appropriated funds are being requested for administering these collections changes.

Productivity through a quality work environment continues to be fostered through the continuation of the Business Systems Modernization program at $429 million. IRS is beginning to enjoy the benefits from modernization of both its systems and its business processes. FY 2004 is the second year in which IRS has been able to identify areas of savings and re-apply them to high-priority needs, thus reducing their requirements for additional appropriations. Because of productivity increases, especially due to the increase in electronic filing, IRS will be able to close one of its processing sites.

Internal Revenue Service

Purpose of Program

IRS receives Federal tax payments and is committed to provide top quality service by helping taxpayers understand and meet their tax responsibilities. They are also committed to helping taxpayers comply with tax laws and applying tax laws with integrity and fairness to all.

Program Description and Benefits

IRS provides three primary services: Pre-Filing Services, Filing Services and Post-Filing Services.

- **Pre-Filing Services**—Provides taxpayer service before the return is filing to assist in the filing of a correct return. IRS continues to emphasize taxpayer education, outreach, increased volunteer support time and locations, expanding pre-filing agreements and rulings, and enhancing pre-filing customer support through electronic media.

- **Filing Services**-- Provides taxpayer service in processing filed returns and paying taxes, including electronic filing and payment. IRS continues to make progress in decreasing paper returns and increasing the use of electronic filing and payment methods. IRS is also increasing both the capacity and effectiveness of its telephone and in-person taxpayer support.

- **Post-Filing Services**—Applies tax laws and enforces compliance. IRS interacts with taxpayers after a return is or should have been filed to identify underreporting, non-filing and non-payment. IRS continues to focus on improving the quality of examinations and investigations, increasing customer and employee satisfaction, increasing offers in compromise, and increasing case closures.

Program Performance

IRS expects to achieve the following levels of performance in selected program areas in FY 2004, subject to requested funding:

- Provide taxpayers greater access to information, assistance and support in filing their returns. IRS will assist 29 million taxpayers through direct and indirect means.

- Improve the quality of service to taxpayers during and after they file their returns. IRS will assist 50 million taxpayers through toll free, automated/Teletax services. The toll free level of service will be 73%, tax law accuracy will be 89%, and accounts accuracy will be 93%. An additional 35 million taxpayers will be assisted directly over the phone. IRS expects 44% of individual returns to be filed electronically, continuing the increasing trend of the last few years.

- Identify and correct all substantive errors in filed tax returns, reporting of income, and payment of taxes.

- IRS will increase the number of cases closed in field examinations, the automated collection system, and the automated underreporter system.

- Assist Americans through the administration of the Earned Income Tax Credit. In the 2002 filing season, IRS administered approximately 18.5 million credits for a total of $32 billion.

U.S. Secret Service

Program Summary *(dollars in millions)*					
Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or Decrease	
				$millions	percent
Salaries and Expenses	1,062.1	1,010.4	0.0	-1,010.4	-100.0%
Acq., Constr., Improv., and Related Expenses	3.5	3.5	0.0	-3.5	-100.0%
Appropriation	**1,065.6**	**1,013.9**	**0.0**	**-1,013.9**	**-100.0%**

Explanation of FY 2004 Request

Pursuant to Public Law 107-296, The Homeland Security Act of 2002, the United States Secret Service was transferred to the new Department of Homeland Security. FY 2004 budget and performance information for this bureau can be obtained from the Department of Homeland Security.

Interagency Crime and Drug Enforcement

Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or Decrease $millions	Increase or Decrease percent
Interagency Law Enforcement	107.6	107.6	0.0	-107.6	-100.0%

Explanation of FY 2004 Request

The FY 2004 President's Budget proposes to transfer the Interagency Crime and Drug Enforcement (ICDE) account to the Department of Justice. Budgetary and performance information for this account can be obtained from the Department of Justice.

Community Development Financial Institutions Fund

Program Summary *(dollars in millions)*					
Appropriation Title	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	Increase or Decrease	
				$millions	percent
Community Dev. Financial Institutions Fund	80.0	68.0	51.0	-17.0	-25.0%

Explanation of FY 2004 Request

The Community Development Financial Institutions (CDFI) Fund is working toward becoming a *World Class* organization consistent with the President's Management Reform Agenda. CDFI is reviewing programmatic efforts on a continual basis to reduce or remove those producing little or no programmatic value. Budget and performance integration, as part of the President's Management Agenda, requires this kind of business review, with the emphasis on best results at the lowest total cost. The request for CDFI reflects this review.

Purpose of Program

CDFI was created to expand the availability of credit, investment capital, and financial services in distressed urban and rural communities, and to carry out the Community Development Banking and Financial Institutions Act of 1994. By stimulating the creation and expansion of diverse community development financial institutions (CDFIs) and by providing incentives to traditional banks and thrifts through the Bank Enterprise Award (BEA) Program, the Fund's investments work toward building private markets, creating healthy local tax revenues, and empowering residents. The CDFI Fund provides small infusions of capital to institutions that serve distressed communities and low-income individuals. The Fund's activities leverage millions of private-sector investments dollars from banks, foundations, and other funding sources.

Program Description and Benefits

The CDFI Fund's responsibilities funded by this appropriation include:

- Promoting fair and efficient deliveries of credit and other financial services and helping to bring residents of distressed communities into the economic mainstream by: Investing directly in CDFIs that satisfy quality standards and are able to raise private matching funds; providing training and technical assistance to improve the capacity of CDFIs; implementing secondary market initiatives which draw in new sources of private institutional capital to support the activities of CDFIs; providing incentives to traditional financial institutions to increase their support of CDFIs and increase the lending and financial services they provide in distressed communities; and develop tax incentives designed to improve the prospects for economic growth in distressed areas and increase job opportunities for low-income workers.

Community Development Financial Institutions Fund

Program Performance

CDFI expects to achieve the following performance objectives in selected program areas with requested funding in FY 2004:

- ❑ Increase financing to businesses (including non-profit businesses) and individuals that are low wealth, have limited collateral, are located in underserved communities, or have other characteristics that inhibit them from getting business or commercial real estate loans or equity investments from traditional financial sources.

- ❑ Expand the supply and quality of housing units in underserved communities and increase homeownership in these markets by increasing the availability of housing financing that leverages conforming mortgages or that would not likely be made by traditional financial institutions.

- ❑ Expand access to affordable financial services for the "unbanked," low-income people and others in underserved communities**.**

- ❑ Build the self-sufficiency and capacity of CDFI Fund awardees and certified CDFIs.

DEPARTMENTAL OFFICES
Salaries and Expenses

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**191,914**	**1,086**
CHANGES PROPOSED FOR FY 2004		
• Program Changes	- - -	- - -
• Adjustments for Mandatory Cost Increases	5,668	- - -
• Program Annualizations	239	- - -
• Transfers under the Homeland Security Act of 2002	-30,500	-226
• Transfer to FinCEN	-446	- - -
TOTAL FY 2004 CHANGES	**-25,039**	**-226**
FY 2004 PRESIDENT'S BUDGET	**166,875**	**860**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Program Changes: No funds requested ($0 and 0 FTE).	- - -	- - -
Adjustments for Mandatory Cost Increases: Funds are requested for: 1) FY 2004 cost of January 2003 pay increase ($924 and 0 FTE); 2) the proposed January 2004 pay raise ($2,535 and 0 FTE); 3) other labor related benefits ($344 and 0 FTE); 4) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments ($1,865 and 0 FTE).	5,668	- - -
Program Annualization: Funds are requested for completing the full-year cost and FTE realization of positions from prior year.	239	- - -
Transfer: Reflects the transfer of the Office of Enforcement's Policies and Programs funding and personnel to the Department of Homeland Security under the Homeland Security Act (P.L 107-296) (-$28,000 and -226 FTE) and funding to the Department of Justice (-$2,500 and 0 FTE).	-30,500	-226
Transfer: Reflects the transfer of funding to FinCEN to continue activities related to intelligence support of terrorist financing (-$446 and 0 FTE).	-446	- - -

DEPARTMENTAL OFFICES
Treasury Building and Annex Repair and Restoration

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**32,932**	**10**
CHANGES PROPOSED FOR FY 2004		
• Reductions, Non-Recurring Cost, and Savings.	-7,932	- - -
TOTAL FY 2004 CHANGES.	**-7,932**	**- - -**
FY 2004 PRESIDENT'S BUDGET	**25,000**	**10**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Reductions, Non-Recurring Cost, and Savings: Non-recurring costs associated with maintaining the Treasury Building and Annex Repair and Restoration (TBARR) ($-7,932 and 0 FTE).	-7,932	- - -

DEPARTMENTAL OFFICES
Air Transportation Stabilization Program

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**6,041**	**8**
CHANGES PROPOSED FOR FY 2004		
• Reductions, Non-Recurring Cost, and Savings.	-3,503	- - -
TOTAL FY 2004 CHANGES.	**-3,503**	**-2**
• **FY 2004 PRESIDENT'S BUDGET**	**2,538**	**6**

Highlights of FY 2004 Budget Changes	Amount ($000s)	Direct FTE
Reductions, Non-Recurring Cost, and Savings: Non-recurring costs associated with operating the Air transportation Stabilization Program ($-3,503 and -2 FTE).	-3,503	-2

DEPARTMENTAL OFFICES
Expanded Access to Financial Services

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**2,000**	**3**
CHANGES PROPOSED FOR FY 2004		
• Program Changes	-2,000	-1
TOTAL FY 2004 CHANGES	**-2,000**	**-1**
FY 2004 PRESIDENT'S BUDGET	**$- - -**	**2**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Program Changes: No funding is requested for the Expanded Access to Financial Services program ($-2,000 and -1 FTE).	-2,000	-1

DEPARTMENT-WIDE SYSTEMS AND CAPITAL INVESTMENTS PROGRAM

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**68,828**	**---**
CHANGES PROPOSED FOR FY 2004		
• Transfer of Integrated (Wireless) Treasury (ITN) Network to Department of Homeland Security	-31,900	---
TOTAL FY 2004 CHANGES.	**-31,900**	
FY 2004 PRESIDENT'S BUDGET	**36,928**	**---**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Transfer: It is proposed in FY 2004 to transfer the Integrated Treasury Network (ITN) program to the Department of Homeland Security (-$31,900 and 0 FTE). Funding requirements in FY 2004 for the remaining programs in the Department-Wide Systems and Capital Investment Program are projected to be $36,928,000 reflecting a level budget from FY 2003.	-31,900	---

FY 2004 DSCIP Request by Project

	FY 2003	*FY 2004*
HR Connect	25,751	25,989
Treasury Architecture	200	200
Integrated Treasury Network	31,935	0
Treasury-wide Critical Infrastructure	8,993	8,993
Treasury Back-up/Disaster Recovery	1,746	1,746
Treasury Assets Management Info. System	203	000
Total	**68,828**	**36,928**

INSPECTOR GENERAL FOR TREASURY

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**159,390**	**1,229**
CHANGES PROPOSED FOR FY 2004		
• Program Changes	-3,836	-47
• Transfer Out to Department of Homeland Security (DHS).	-19,632	-155
• Transfer Out to Department of Justice (DOJ)	-4,939	-40
• Adjustments for Mandatory Cost Increases.	3,966	- - -
• Program Annualizations.	- - -	- - -
TOTAL FY 2004 CHANGES.	**-24,441**	**-242**
FY 2004 PRESIDENT'S BUDGET	134,949	987

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Program Changes: The increased costs associated of pay and general inflation are requested to be absorbed through a reduction in staffing in the Office of Audit and the Office of Investigations (-$3,836 and -47 FTE).	-3,836	-47
Transfer: This adjustment represents the transfer of resources associated with those components previously part of Treasury that are now part of the newly-created Department of Homeland Security (-$19,632 and -155 FTE).	-19,632	-155
Transfer: This adjustment represents the transfer of resources associated with those components previously part of Treasury that are now part of the Department of Justice (-$4,939 and -40 FTE).	-4,939	-40
Adjustments for Mandatory Cost Increases: Funds are requested for: 1) FY 2004 cost of January 2003 pay increase ($846 and 0 FTE); 2) the proposed January 2004 pay raise ($1,894 and 0 FTE); 3) other labor related benefits ($752 and 0 FTE); and 4) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments ($474 and 0 FTE).	3,966	- - -
Program Annualizations: Funds for completing the full-year cost and FTE realization of positions from prior year ($0 and 0 FTE).	- - -	- - -

COUNTER-TERRORISM FUND

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**40,000**	**- - -**
CHANGES PROPOSED FOR FY 2004		
• Transfers Out	**-40,000**	**- - -**
TOTAL FY 2004 CHANGES	**-40,000**	**- - -**
FY 2004 PRESIDENT'S BUDGET	**- - -**	**- - -**

The FY 2004 President's Budget proposes to transfer the Counter-Terrorism Fund to the Department of Homeland Security. Budgetary and performance information for this account can be obtained from the Department of Homeland Security.

FINANCIAL CRIMES ENFORCEMENT NETWORK

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**50,517**	**254**
CHANGES PROPOSED FOR FY 2004		
• Program Changes	2,051	10
• Adjustments for Mandatory Cost Increases	2,205	- - -
• Program Annualizations	2,352	8
• Transfers In	446	5
• Reductions, Non-Recurring Costs, and Savings	- - -	- - -
TOTAL FY 2004 CHANGES	**7,054**	**23**
FY 2004 PRESIDENT'S BUDGET	**57,571**	**277**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Program Changes: Funds are requested for: 1) improving Government-wide Data Access Service ($845 and 1 FTE); 2) maintaining current level of support for terrorist financing and money laundering related investigative support and meet USA Patriot Act mandates ($1,206 and 9 FTE).	2,051	10
Adjustments for Mandatory Cost Increases: Funds are requested for: 1) FY 2004 cost of January 2003 pay increase ($193 and 0 FTE); 2) the proposed January 2004 pay raise ($452 and 0 FTE); 3) other labor related benefits ($94 and 0 FTE); and 4) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments ($1,466 and 0 FTE).	2,205	- - -
Program Annualizations: Funds are requested for: 1) completing the full-year cost and FTE realization of positions from prior year USA Patriot Act Initiative ($1,002 and 8 FTE); 2) completing full-year cost from prior year for USA Patriot Act Section 314 Contract research staff ($1,020 and 0 FTE); 3) continue expansion from prior year for Patriot Act Communications Systems Contract ($330 and 0 FTE).	2,352	8
Transfer: Transfer previously reimbursable funding from Departmental Offices to continue activities related to intelligence support of terrorist financing ($446 and 5 FTE).	446	5

FEDERAL LAW ENFORCEMENT TRAINING CENTER

Pursuant to Public Law 107-296, The Homeland Security Act of 2002, the Federal Law Enforcement Training Center was transferred to the new Department of Homeland Security. FY 2004 budget and performance information regarding this bureau can be obtained from the Department of Homeland Security.

FINANCIAL MANAGEMENT SERVICE

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**220,712**	**1,818**
CHANGES PROPOSED FOR FY 2004		
• Program Changes	2,000	---
• Adjustments for Mandatory Cost Increases	5,894	---
TOTAL FY 2004 CHANGES	**7,894**	**---**
FY 2004 PRESIDENT'S BUDGET	**228,606**	**1,818**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Program Changes: Additional funding is needed to support the Indian Trust Fund Litigation reflecting FMS' increased court-ordered responsibilities ($2,000 and 0 FTE).	2,000	**---**
Adjustments for Mandatory Cost Increases: Funds are requested for: 1) FY 2004 cost of January 2003 pay increase ($1,117 and 0 FTE); 2) the proposed January 2004 pay raise ($2,453 and 0 FTE); 3) other labor related benefits ($907 and 0 FTE); and 4) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments ($1,417 and 0 FTE).	5,894	**---**

BUREAU OF ALCOHOL, TOBACCO AND FIREARMS

Pursuant to Public Law 107-296, The Homeland Security Act of 2002, the Alcohol, Tobacco, Firearms and Explosives portion of the Bureau of Alcohol, Tobacco and Firearms was transferred to the Department of Justice. This legislation also creates the Alcohol & Tobacco, Tax and Trade bureau that is retained within the Department of Treasury. Information regarding the portion of ATF that was transferred can be obtained from the Department of Justice. Information regarding the Alcohol and Tobacco Tax and Trade Bureau can be found on the following page.

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**883,775**	**5,106**
• Less Adjustment for Comparability with FY 2004 Request under Homeland Security Act	-803,775	-4,562
FY 2003 PRESIDENT'S BUDGET COMPARABLE WITH FY 2004 REQUEST.	**80,000**	**544**
CHANGES PROPOSED FOR FY 2004	**- - -**	**- - -**
TOTAL FY 2004 CHANGES.	**- - -**	**- - -**
FY 2004 PRESIDENT'S BUDGET	**80,000**	**544**

UNITED STATES CUSTOMS SERVICE

Pursuant to Public Law 107-296, The Homeland Security Act of 2002, the United States Customs Service was transferred to the new Department of Homeland Security. FY 2004 budget and performance information regarding this bureau can be obtained from the Department of Homeland Security.

BUREAU OF THE PUBLIC DEBT
Administering the Public Debt

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**191,119**	**1,478**
CHANGES PROPOSED FOR FY 2004		
• Program Changes.	-22,400	-145
• Adjustments for Mandatory Cost Increases.	4,979	- - -
TOTAL FY 2004 CHANGES.	**-17,421**	**- - -**
FY 2004 PRESIDENT'S BUDGET	**173,698**	**1,333**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Program Changes: Public Debt requests reduced resources devoted to the marketing of paper saving bonds. As a first step in the transition to an all electronic environment, Public Debt introduced its new *TreasuryDirect* system in October 2002, which will ultimately offer "one-stop shopping" for the full range of Treasury securities ($-22,400 and -145 FTE).	-22,400	-145
Adjustments for Mandatory Cost Increases: Funds are requested for: 1) FY 2004 cost of January 2003 pay increase ($835 and 0 FTE); 2) the proposed January 2004 pay raise ($1,785 and 0 FTE); 3) other labor related benefits ($795 and 0 FTE); and 4) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments ($1,564 and 0 FTE).	4,979	- - -

INTERNAL REVENUE SERVICE
Summary

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**9,915,853**	**99,155**
CHANGES PROPOSED FOR FY 2004		
• Program Changes	288,468	2,384
• Adjustments for Mandatory Cost Increases	267,220	- - -
• Program Annualizations	- - -	- - -
• Reinvestment of Freed-Up Resources	166,471	649
• Reductions, Non-Recurring Costs, and Savings (Reengineering)	-201,471	-2,145
TOTAL FY 2004 CHANGES	**520,688**	**888**
FY 2004 PRESIDENT'S BUDGET	**10,436,541**	**100,043**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Program Changes: Funds are requested for: 1) Processing, Assistance and Management ($22,806 and 135 FTE); 2) Tax Law Enforcement ($109,828 and 1,599 FTE); 3) Information Systems ($6,834 and 0 FTE); 4)Business Systems Modernization ($49,000 and 0 FTE; and 5) Earned Income Tax Credit ($100,000 and 650 FTE)	288,468	2,384
Adjustments for Mandatory Cost Increases: Funds are requested for: 1) FY 2004 cost of January 2003 pay increase ($56,983 and 0 FTE); 2) the proposed January 2004 pay raise ($121,210 and 0 FTE); 3) other labor related benefits ($47,850 and 0 FTE); and 4) non-labor related items ($41,177 and 0 FTE).	267,220	- - -
Program Annualizations: Funds for completing the full-year cost and FTE realization of positions from prior year ($0 and 0 FTE).	- - -	- - -
Reinvestment of Freed-Up Resources: Savings through productivity gains etc., will be reapplied to 1) Processing, Assistance and Management ($67,899 and 453 FTE); 2) Tax Law Enforcement ($57,587 and 196 FTE); 3) Information Systems ($40,013 and 0 FTE); and 4) Earned Income Tax Credit ($972 and 0 FTE).	166,471	649
Reductions, Non-Recurring Costs, and Savings (Re-Engineering): The IRS will reapply internal productivity growth and other savings from 1) Processing, Assistance and Management (-$80,001 and -1,427 FTE); 2) Tax Law Enforcement (-$40,085 and -670 FTE); 3) Information Systems (-$45,839 and -39 FTE); 4) Earned Income Tax Credit (-$546 and -9 FTE); and Health Insurance Tax Credit Administration (-$35,000 and 0 FTE).	-201,471	-2,145

INTERNAL REVENUE SERVICE
Processing, Administration and Management

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**3,958,337**	**43,246**
CHANGES PROPOSED FOR FY 2004		
• Program Changes	22,806	135
• Adjustments for Mandatory Cost Increases	105,653	- - -
• Program Annualizations	- - -	- - -
• Reinvestment of Freed-Up Resources	67,899	453
• Reductions, Non-Recurring Costs, and Savings (Reengineering)	-80,001	-1,427
TOTAL FY 2004 CHANGES	**116,357**	**-839**
FY 2004 PRESIDENT'S BUDGET	**4,074,694**	**42,407**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Program Changes: Funds are requested for: 1) compliance cost increases and initiatives ($21,766 and 125 FTE); 2) customer service enhancements ($696 and 10 FTE); and 3) counterterrorism measures ($344 and 0 FTE).	22,806	135
Adjustments for Mandatory Cost Increases: Funds are requested for: 1) FY 2004 cost of January 2003 pay increase ($21,019 and 0 FTE); 2) the proposed January 2004 pay raise ($44,710 and 0 FTE); 3) other labor related benefits ($17,794 and 0 FTE); and 4) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments ($22,130 and 0 FTE).	105,653	- - -
Program Annualizations: Funds for completing the full-year cost and FTE realization of positions from prior year ($0 and 0 FTE).	- - -	- - -
Reinvestment of Freed-Up Resources: Savings generated through productivity gains etc., will be reapplied to expand compliance strategies and customer service ($50,671 and 441 FTE); to fund increased internal services and support costs ($11,228 and 12 FTE); and to promote efforts that will improve employee satisfaction ($6,000 and 0 FTE).	67,899	453
Reductions, Non-Recurring Costs, and Savings (Re-Engineering): The IRS proposes to make resources available for reapplication through internal productivity growth and other savings in the PAM appropriation (-$80,001 and -1,427 FTE).	-80,001	-1,427

INTERNAL REVENUE SERVICE
Tax Law Enforcement

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**3,729,072**	**45,531**
CHANGES PROPOSED FOR FY 2004		
• Program Changes	109,828	1,599
• Adjustments for Mandatory Cost Increases	120,239	- - -
• Program Annualizations	- - -	- - -
• Reinvestment of Freed-Up Resources	57,587	196
• Reductions, Non-Recurring Costs, and Savings (Reengineering)	-40,085	-670
TOTAL FY 2004 CHANGES	**247,569**	**1,125**
FY 2004 PRESIDENT'S BUDGET	**3,976,641**	**46,656**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Program Changes: Funds are requested for: 1) Compliance initiatives and workload increases ($104,502 and 1,575 FTE); and 2) increased Counterterrorism activities of the Criminal Investigation business unit ($5,326 and 24 FTE).	109,828	1,599
Adjustments for Mandatory Cost Increases: Funds are requested for: 1) FY 2004 cost of January 2003 pay increase ($29,134 and 0 FTE); 2) the proposed January 2004 pay raise ($61,972 and 0 FTE); 3) other labor related benefits ($24,433 and 0 FTE); and 4) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments ($4,700 and 0 FTE).	120,239	- - -
Program Annualizations: Funds for completing the full-year cost and FTE realization of positions from prior year ($0 and 0 FTE).	- - -	- - -
Reinvestment of Freed-Up Resources: Savings generated through productivity gains, etc., will be reapplied to expand compliance strategies and customer service ($57,587 and 196 FTE).	57,587	196
Reductions, Non-Recurring Costs, and Savings (Re-Engineering): Resources will be made available through improved work processes in 1) Compliance Support (-$20,585 and -394 FTE); 2) in Filing Compliance through Enhanced Call Router and through re-engineering in the Service Center Collection Branch (-$3,600 and -67 FTE); and 3) through other cost saving measures (-$15,900 and -209 FTE).	-40,085	-670

INTERNAL REVENUE SERVICE
Information Systems

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**1,632,444**	**8,025**
CHANGES PROPOSED FOR FY 2004		
• Program Changes	6,834	- - -
• Adjustments for Mandatory Cost Increases	36,587	- - -
• Program Annualizations	- - -	- - -
• Reinvestment of Freed-Up Resources	40,013	- - -
• Reductions, Non-Recurring Costs, and Savings	-45,839	-39
TOTAL FY 2004 CHANGES	**37,595**	**-39**
FY 2004 PRESIDENT'S BUDGET	**1,670,039**	**7,986**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Program Changes: Funds are requested to support Compliance Customer Service and Counterterrorism IS initiatives ($6,834 and 0 FTE).	6,834	- - -
Adjustments for Mandatory Cost Increases: Funds are requested for: 1) FY 2004 cost of January 2003 pay increase ($5,709 and 0 FTE); 2) the proposed January 2004 pay raise ($12,144 and 0 FTE); 3) other labor related benefits ($4,633 and 0 FTE); and 4) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments ($14,101 and 0 FTE).	36,587	- - -
Program Annualizations: Funds for completing the full-year cost and FTE realization of positions from prior year ($0 and 0 FTE).	- - -	- - -
Reinvestment of Freed-Up Resources: Efficiencies achieved in IS and associated reduced costs, will allow the IRS to reinvest these savings 1) in Internal Services and Support mainly to expand VPN service, replace Tier III hardware, and expand web services for taxpayers and employees ($32,613 and 0 FTE); and 2) in necessary corporate expenses such as media and publications ($7,400 and 0 FTE).	40,013	- - -
Reductions, Non-Recurring Costs, and Savings (Re-Engineering): Resources will be made available service-wide through 1) workload decreases (-$26,239 and -39 FTE); 2) reduced operations and maintenance costs in various activities and lower contract support (-$17,800 and 0 FTE); and 3) through redesigned internal processes and procedures in Compliance and Customer Service (-$1,800 and 0 FTE).	-45,839	-39

INTERNAL REVENUE SERVICE
Business Systems Modernization

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET (as amended)	**380,000**	---
CHANGES PROPOSED FOR FY 2004		
• Program Changes	49,000	---
• Adjustments for Mandatory Cost Increases	---	---
• Program Annualizations	---	---
• Reinvestment of Freed-Up Resources	---	---
• Reductions, Non-Recurring Costs, and Savings (Reengineering)	---	---
TOTAL FY 2004 CHANGES	**49,000**	**---**
FY 2004 PRESIDENT'S BUDGET	**429,000**	**---**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Program Changes: Funds are needed to continue the prime contract, as well as accommodate equipment and software costs required to achieve BSM's goal of improving speed, timeliness and accuracy of IRS' interactions with taxpayers ($49,000 and 0 FTE). These requirements reflect a thorough business process reengineering effort.	49,000	---
Adjustments for Mandatory Cost Increases: None needed for capital acquisitions ($0 and 0FTE).	---	---
Program Annualizations: Funds for completing the full-year cost and FTE realization of positions from prior year ($0 and 0 FTE).	---	---
Reinvestment of Freed-Up Resources: None requested ($0 and 0FTE).	---	---
Reductions, Non-Recurring Costs, and Savings (Re-Engineering): None requested ($0 and 0FTE).	---	---

INTERNAL REVENUE SERVICE
Earned Income Tax Credit

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**146,000**	**2,353**
CHANGES PROPOSED FOR FY 2004		
• Program Changes	100,000	650
• Adjustments for Mandatory Cost Increases	4,741	- - -
• Program Annualizations	- - -	- - -
• Reinvestment of Freed-Up Resources	972	- - -
• Reductions, Non-Recurring Costs, and Savings (Re-Engineering)	-546	-9
TOTAL FY 2004 CHANGES	**105,167**	**641**
FY 2004 PRESIDENT'S BUDGET	**251,167**	**2,994**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Program Changes: Funds are requested to provide the first installment towards the implementation of the EITC Task Force recommendations ($100,000 and 650 FTE). These funds will be used to address errors resulting from EITC overclaims.	100,000	650
Adjustments for Mandatory Cost Increases: Funds are requested for: 1) FY 2004 cost of January 2003 pay increase ($1,121 and 0 FTE); 2) the proposed January 2004 pay raise ($2,384 and 0 FTE); 3) other labor related benefits ($990 and 0 FTE); and 4) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments ($246 and 0 FTE).	4,741	- - -
Program Annualizations: Funds for completing the full-year cost and FTE realization of positions from prior year ($0 and 0 FTE).	- - -	- - -
Reinvestment of Freed-Up Resources: Savings generated through productivity gains etc., will be reapplied to accommodate the increased corporate costs of administering the EITC program ($972 and 9 FTE).	972	- - -
Reductions, Non-Recurring Costs, and Savings (Re-Engineering): The IRS proposes to make resources available for replication through internally generated savings in the EITC appropriation (-$546 and -9 FTE).	-546	-9

INTERNAL REVENUE SERVICE
Health Insurance Tax Credit Administration

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET (as amended)	**70,000**	**- - -**
CHANGES PROPOSED FOR FY 2004		
• Program Changes	- - -	- - -
• Adjustments for Mandatory Cost Increases	- - -	- - -
• Program Annualizations	- - -	- - -
• Transfers In	- - -	- - -
• Reductions, Non-Recurring Costs, and Savings	-35,000	- - -
TOTAL FY 2004 CHANGES	**-35,000**	**- - -**
FY 2004 PRESIDENT'S BUDGET	**35,000**	**- - -**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Program Changes: None made available ($0 and 0 FTE).	- - -	- - -
Adjustments for Mandatory Cost Increases: None required ($0 and 0 FTE).	- - -	- - -
Program Annualizations: Funds for completing the full-year cost and FTE realization of positions from prior year ($0 and 0 FTE).	- - -	- - -
Reinvestment of Freed-Up Resources: None required ($0 and 0 FTE).	- - -	- - -
Reductions, Non-Recurring Costs, and Savings (Re-Engineering): Reduced funding is needed for the contract operation of the Advanced Payment Option system purchased in FY 2003 pursuant to the amended FY 2003 President's Budget. FY 2003 funds provide for development of the system projected to be in service by August 1, 2003 (-$35,000 and 0 FTE).	-35,000	- - -

UNITED STATES SECRET SERVICE

Pursuant to Public Law 107-296, The Homeland Security Act of 2002, the United States Secret Service was transferred to the new Department of Homeland Security. FY 2004 budget and performance information for this bureau can be obtained from the Department of Homeland Security.

INTERAGENCY CRIME AND DRUG ENFORCEMENT

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**107,576**	**- - -**
CHANGES PROPOSED FOR FY 2004		
• Transfers Out	-107,576	- - -
TOTAL FY 2004 CHANGES	**-107,576**	**- - -**
FY 2004 PRESIDENT'S BUDGET	**- - -**	**- - -**

The FY 2004 President's Budget proposes to transfer the Interagency Crime and Drug Enforcement (ICDE) account to the Department of Justice. Budgetary and performance information for this account can be obtained from the Department of Justice.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

	Amount ($000s)	Direct FTE
FY 2003 PRESIDENT'S BUDGET	**68,000**	**68**
CHANGES PROPOSED FOR FY 2004		
• Program Changes	-17,249	3
• Adjustments for Mandatory Cost Increases	249	- - -
• TOTAL FY 2004 CHANGES	**-17,000**	**3**
FY 2004 PRESIDENT'S BUDGET	**51,000**	**71**

Highlights of FY 2004 Budget Changes

	Amount ($000s)	Direct FTE
Program Changes: Reductions totaling $17,249 are requested for this Budget Activity in the following areas: Financial Assistance (-$6,000 and 0 FTE); Technical Assistance (-$4,000 and 0 FTE); and Bank Enterprise Award Program (-$9,000 and 0 FTE). These decreases are partially offset by an increase in administrative costs ($1,751 and 3 FTE).	-17,249	3
Adjustments for Mandatory Cost Increases: Funds are requested for: 1) FY 2004 cost of January 2003 pay increase ($48 and 0 FTE); 2) the proposed January 2004 pay raise ($110 and 0 FTE); 3) other labor related benefits ($16 and 0 FTE); and 4) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments ($75 and 0 FTE).	249	- - -

HIGHLIGHTS OF FY 2002 PERFORMANCE

Treasury continued to work toward achieving its strategic goals and improving service to the American public. The following summarizes Treasury's efforts in accomplishing the FY 2002 performance objectives, both successes and continuing challenges. More detailed information on Treasury's performance can be found in Treasury's FY 2002 Performance and Accountability Report.

Economic Mission: Promote Prosperous and Stable American and World Economies

Stimulating Economic Growth. In the domestic economic arena, Treasury contributed to growth enhancing policies through analysis and proposals for tax-relief and other stimulus measures. Real Growth Domestic Products (GDP) grew 3 percent over the past year. This growth was achieved in spite of effects of the terrorist attacks and, in large part, due to the passage of tax relief in the spring of 2001. In March 2002, additional stimulus measures were passed designed to boost employment and capital spending.

Responding to Terrorist Attacks -- Terrorist Insurance. Given the on-going threat of terrorist attacks, the inability to obtain adequate insurance brought many building plans to a halt. Treasury led the Administration's efforts in crafting and negotiating the terrorism risk insurance components of the Terrorism Insurance Bill, the passage of which was a major goal of the Administration. Under the enacted Terrorism Risk Insurance Act of 2002, Treasury will play a lead role as the administrator of the terrorism risk insurance program, including issuing implementing regulations, calculating and making Federal payments, recouping amounts as required and conducting certain insurance industry studies.

Economic Development Abroad. President Bush launched a new development initiative, the Millennium Challenge Account (MCA) in March 2002, to substantially increase U.S. development assistance beginning in FY 2004. Treasury worked with other agencies to design an efficient and effective administrative structure for the MCA, creating a logical process by which specific projects and/or programs will be selected, and identify objective criteria to measure progress. The goal of the MCA is to reward sound policy decisions that support economic growth and reduce poverty.

Financial Mission: Manage the Government's Finances

Tax Collection. The following summarizes IRS' FY 2002 performance.

- ***Pre-Filing Programs***. IRS is focusing on how to better assist taxpayers in understanding their tax obligations. Significant progress in this area will lead to reduced filing errors and increased productivity in downstream tax administration processes. Although IRS only met 33 percent of its targets for FY 2002, 67 percent of the indicators exceeded FY 2001 performance levels.

- ***Filing Programs***. Overall, 43 percent of the indicators met FY 2002 targets, and 71 percent exceeded FY 2001 performance. IRS' aggressive marketing program enabled electronic-filing performance to continue to exceed goal, and IRS projects continued progress in 2003 and beyond as the agency works towards 80 percent electronic-filing by 2007. Demand for toll free phone services increased dramatically due to several new tax programs. While the level of service did not meet the target in FY 2002, service was up from 2001. Quality of service improved significantly as a result of improved call routing and employee training.

- ***Post-Filing (Compliance Programs)***. Although 50 percent of indicators in this area met FY 2002, 57 percent of their performance targets exceeded FY 2001 levels. Enforcement revenue increased over 2001 for an annual total of $33.9 billion. Performance targets were missed in Automated Collection Site (ACS) programs. Contributing to the lower performance levels were: (1) the suspension of some activities to ensure proper treatment of taxpayers affected by the September 11, 2001, terrorist attacks, and (2) an unexpected increase in non-ACS telephone calls, diverting resources from Automated Call Collection work.

Issuing Payments. As an essential part of the U.S. economy, Treasury issued approximately 920 million payments to more than 100 million individuals and businesses, totaling over $1.2 trillion. Whether recipients of Social Security or Veterans' benefits, income tax refunds, vendor payments, annuities, or salaries, making payments to American citizens accurately and on time is of considerable financial importance. Treasury's payments were on time and accurate 100 percent of the time.

Non-Tax Delinquent Debt. As a result of continued improvement in FMS' Debt Management Program, collections of non-tax delinquent debt again exceeded Treasury performance goals. For FY 2002, the target for collecting delinquent debt was $2.6 billion. FMS achieved collections of more than $2.8 billion.

Government's Cash Management. The Government's cash position, budget surplus, and deficit information were reported on schedule and accurately 100 percent of the time in the key Treasury publications. For the fifth consecutive year, the Financial Report of the U.S. Government, including the Government's consolidated financial statements was issued on time, although it continued to receive a disclaimer of opinion.

Cash and Debt Management. Treasury developed a comprehensive contingency plan for cash and debt management business processes to provide current and timely cash and debt position information to key Treasury officials during a crisis situation. This plan includes the establishment of a real-time back-up site and the creation of a delegation of authority covering cash and debt management functions in the event key personnel are unable to perform them.

Law Enforcement Mission: Safeguard Our Financial Systems, Protect Our Nation's Leaders, and Secure a Safe and Drug-Free America

Homeland Security Legislation. Treasury assisted in developing the proposal to create a new Cabinet-level Department of Homeland Security. Included in the President's plan was a transfer of the U.S. Customs Service and U.S. Secret Service to the new Department. Subsequent legislation also includes the transfer of the Federal Law Enforcement Training Center to the new Department and the law enforcement portion of the Bureau of Alcohol, Tobacco and Firearms to the Department of Justice.

Global Efforts to Combat Terrorist Financing. At the direction of the President, Treasury launched the financial front in the war on terrorism and took the lead in global efforts to combat the financing of terrorism. Treasury successfully pursued international cooperation to combat terrorist financing on a global scale, working multilaterally with the G-7, the G-8, the G-20, the international financial institutions, and the Financial Action Task Force under the Organization for Economic Cooperation and Development. Treasury also worked bilaterally with individual countries to block the financing of terrorist networks, freeze terrorist assets, and criminalize the collection of funds for terrorism. Treasury established a task force on terrorist financing to keep track, account-by-account, dollar-by-dollar, of all countries' efforts. Treasury also reached out to foreign governments allied in the war on terrorism to provide assistance to identify and immobilize terrorist assets pursuant to United Nations directives.

Operation Greenquest. This operation is a multi-agency, Customs-led Treasury initiative designed to stamp out terrorist funding by identifying, disrupting, and dismantling the financial systems and infrastructures that terrorist organizations use to fund their work. In FY 2002, Greenquest initiated 859 financial investigations involving suspected terrorist financing and referred 1,109 leads on potential terrorist financial activities to domestic and foreign offices. The Operation's financial investigations resulted in 47 arrests, 28 indictments, and the seizure of $7.3 million. Operation Oasis, a Customs outbound bulk currency initiative coordinated by Operation Greenquest, has resulted in total seizures of $18.6 million worth of smuggled currency and monetary instruments resulting in 397 seizures.

Economic Sanctions. After September 11, 2002, the role of Treasury's Office of Foreign Assets and Control (OFAC) in fighting terrorist financing expanded greatly through the issuance of Executive Order (E.O.) 13224, which broadened the scope of previously existing OFAC authority with respect to supporters of terrorism, and the passage of the USA PATRIOT Act (PATRIOT Act), which substantially enhanced the usefulness of classified material and provided a wide array of other enforcement tools. These programs prohibit transactions by persons subject to U.S. jurisdiction with, and block the property of, targeted governments and listed entities and individuals. A total of 243 entities and individuals have been designated under E.O. 13224 since it was signed on September 23, 2001.

Drug Interdiction. Increased enforcement efforts in Mexico and changes in smuggling patterns are but two factors likely to have been instrumental in cocaine and marijuana seizure levels being below FY 2002 projected levels. Initially, the heightened state of alert resulting from the September 11, 2001, terrorist attacks increased drug seizures at the border. This in turn however, may have forced changes in smuggling methodologies and trends. Customs enforcement efforts are both a catalyst in forcing that change and an end result toward meeting the challenge of the changing patterns.

Management Enabling Goal: Continue to Build a Strong Institution

Management Improvements. In managing our own resources, Treasury completed its first-ever *Human Capital Strategic Plan*, achieved an unqualified audit opinion for the third year in a row, reduced the number of material weaknesses by 31 percent, and improved management of capital investments.

Performance Management. The Department met 69 percent of its 203 quantifiable performance measures, exceeding our previous year's performance for or maximizing performance for 56 percent of the measures. The Performance Scorecard at the end of this section highlights results of several key performance indicators.

Financial Highlights. As with FY 2000 and FY 2001, Treasury received an unqualified audit opinion on its FY 2002 financial statements. In addition, the FY 2002 statements are being issued forty-five days after year-end, more than three months earlier than the FY 2001 statements. Furthermore, the overall improvements made in the financial reporting process have enabled bureau budget offices to provide timely monthly financial information to our management and meet the ongoing challenge of preparing quarterly and annual financial statements in a reasonable timeframe comparable to the private sector.

President's Management Agenda

Treasury aggressively pursued implementing the goals of the President's Management Agenda (PMA) and integrating those goals into the management of its operations during FY 2002. Below is a summary of activities to achieve those goals.

Strategic Management of Human Capital. Treasury's vision for managing its human capital is to retain a diverse, high-caliber workforce – a workforce that places the right employees in the right place at the right time to fulfill the Department's global mission efficiently and effectively. Accomplishments for FY 2002 toward this vision include:

- Development of the Department's Human Capital Strategic Plan in consultation with the bureaus. The Plan was recently implemented at the bureau level, and the Department held workshops to assist the bureaus gain a better understanding of the Plan's objectives.

- Establishment of four Human Capital Leadership Groups each comprised to increase the bureaus' involvement with Departmental Human Capital management. Leadership Groups assist one another in the planning and implementation process, share innovative ideas and best practices, and evaluate each others' progress in meeting the PMA objectives through a dissertation-style rating process.

Competitive Sourcing. Treasury's Competitive Sourcing team continues to provide support for IRS and other Treasury bureaus' competitive sourcing initiatives. Accomplishments for FY 2002 include:

- Holding two Government-wide competitive sourcing conferences attended by over 1,100 professionals. The second conference was the first conference addressing the link between competitive sourcing and human capital. Treasury also held a Department-wide conference providing an overview of the competitive sourcing process.

- Producing intellectual capital on competitive sourcing for the A-76 Institute and Performance Institute as well as writing articles published in *Federal Times*. Treasury provided consulting services and expertise to NASA, Department of Agriculture, Department of Transportation and State Department.

- Providing FMS, Mint, DO, Customs, ATF and IRS with consulting services on selected competitions. Through September 30, 2002, Treasury completed studies on 192 full time equivalents (FTEs) and commenced several full studies at IRS, Mint and the BEP.

Improved Financial Performance. Treasury's financial performance vision is for every financial management system to be in compliance with all Federal financial management systems requirements, providing timely, accurate, informative data for both day-to-day management and external reporting purposes. The Department will fulfill this vision by streamlining financial management practices, developing sound costing methodologies, and integrating financial data with performance data. Accomplishments for FY 2002 include:

- On time delivery of the Department's FY 2001 financial statements to OMB and Congress with an unqualified audit opinion, and on-time delivery of interim financial statements to OMB.

- Successful implementation of the 3-day close initiative during FY 2002. Each Treasury bureau is now able to close its books within 3 days after the close of each month and forward its summary financial data to the Department's data warehouse for consolidation and analysis.

- Reduced material weaknesses from 29 at the beginning of FY 2002 to 20 as of year-end. IRS has consolidated five closely related material weaknesses into one under "Modernization, Information Technology & Security (MITS) weakness. Similarly, FMS has combined three Government-wide Consolidated Financial Statements weaknesses into one. Both have obtained the concurrence from TIGTA and GAO, respectively.

Despite our accomplishments, we need to continue striving to correct our remaining material weaknesses, which prevent us from being in compliance with Section 4 of the Federal Managers' Financial Integrity Act (FMFIA) and also with Federal Financial Management Improvement Act (FFMIA). We also have several instances of noncompliance with laws and regulations, as described in the Inspector General's in Part 3, which we are working to address.

The Department will continue to build upon its successes in data quality and timeliness and reduction of material weaknesses. Key areas of focus in FY 2003 will include integrating financial and performance data with the support of the CFO Council's Cost Accounting and Labor Distribution Committee, and improving levels of compliance with FFMIA, FMFIA and Government Information Security Reform Act (GISRA).

Expanded E-government. Treasury's E-government vision is to deploy and manage assets and services, which ease the burden on citizens, businesses and other government organizations conducting business with the Department. Accomplishments for FY 2002 include:

- Expanded Financial Management Services' Pay.gov collections initiative. The Department has entered into an agreement with OMB to make the Pay.gov authentication service available Government-wide.

- Launched a Web-based tax refund application.

- Agreed to establish free Internet tax filing for low-income citizens.

Budget and Performance Integration. Budget and performance integration is vital to Treasury's vision of providing high-quality products and services to citizens, businesses and other governmental organizations. Budget and performance integration also accelerates Treasury's progression to a world-class, citizen-centered, results-oriented organization. The Department will formulate and commit resources based on program performance, which improves the Department's delivery of services by making program performance information the foundation for Treasury's daily decision processes. Accomplishments for FY 2002 include:

- Formulation of Treasury's FY 2004 budget and performance plans that better aligned resources with Treasury's strategic priorities. The Department utilized a process of reviewing base resources, provided a well-defined process for program requests, and presented budget requests programmatically.

- Establishment of a Treasury CFO Council committee to address cost accounting and performance integration.

Program Assessment Rating Tool (PART)

In order to improve program performance goals for the FY 2004 budget and to identify areas in need of management attention, OMB created the Program Assessment Rating Tool (PART). The purpose of the PART is to measure and assess program performance; evaluate programs in a systematic, consistent and transparent manner; frame and inform agency and OMB decisions; focus program improvements, and measure progress. PART accomplishes this by utilizing a set of questions designed to assess program performance in four areas:

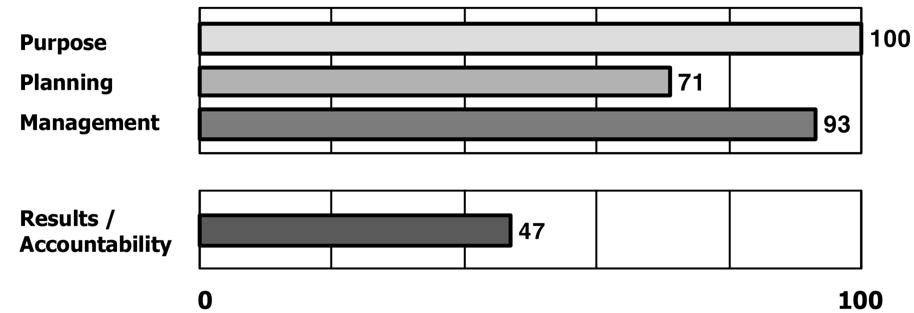
- ***Purpose*** – to assess whether the program design and purpose are clear and defendable.
- ***Strategic Planning*** – to assess whether the agency has set valid annual and long-term goals for the program.
- ***Program Management*** – to rate agency management of the program, including financial oversight and program improvement efforts.
- ***Program Results*** – to rate program performance on goals reviewed in the strategic planning section and through other evaluations.

OMB and Treasury evaluated 10 Treasury programs during FY 2002. Of the 10 programs, 3 were rated effective, 2 were rated adequate, 1 was rated ineffective and 4 were unable to demonstrate results. A summary of the results for each program is included in the pages that follow.

Program: *ATF Consumer Product Safety Activities*

Agency: *Department of the Treasury*

Bureau: *Bureau of Alcohol, Tobacco and Firearms*



☐ Results Achieved
☐ Results Not Demonstrated
☑ Measures Adequate
☐ New Measures Needed

Key Performance Measures	***Year***	***Target***	***Actual***
Long-term Measure: The percentage of Certificate of Label Approvals issued, by initiating electronic application and approval procedures (New measure for 2004)	2003	10%	
	2008	75%	
Long-term Measure: Measures under development			
Annual Measure: Measures under development			

Rating: *Adequate*

Program Type: *Regulatory*

Program Summary:

This program protects the public against contaminated alcohol products. It does this by verifying the content of alcohol products and evaluating the claims on the product labels. Under the provisions of the Homeland Security Act of 2002, the consumer product safety activities and alcohol and tobacco excise tax collections of the ATF are being removed from the ATF and established as the Alcohol and Tobacco Tax and Trade Bureau in the Department of the Treasury.

The program assessment indicates the overall purpose of the program is clear, and the program has demonstrated results based on its historical performance measures. However, the current measures do not sufficiently capture the impact of the program's performance on public safety.

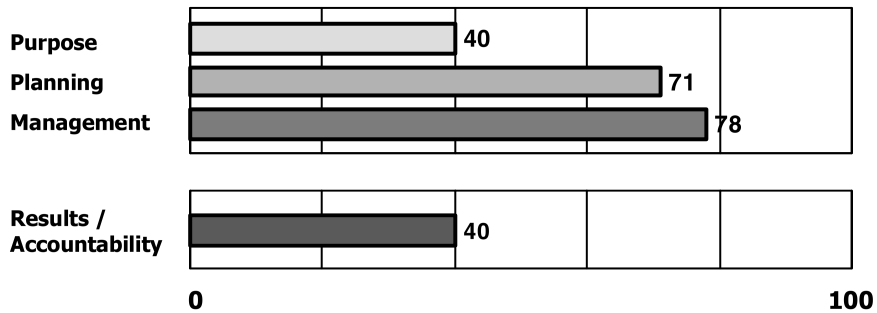
In response to these findings the Alcohol and Tobacco Tax and Trade Bureau will:
1. Refine performance measures to more accurately reflect the goals and achievements of the program.
2. Establish clear guidelines and procedures to insure that goals are very specific. Establish written guidelines and supporting documentation for all aspects of the program.

Program Funding Level (in millions of dollars)

2002 Actual	**2003 Estimate**	**2004 Estimate**
21	23	23

Program: *Bank Enterprise Award*

Agency: *Department of the Treasury*
Bureau: *Departmental Offices*



- [ ] Results Achieved
- [x] Results Not Demonstrated
- [x] Measures Adequate
- [ ] New Measures Needed

Key Performance Measures	*Year*	*Target*	*Actual*
Long-term Measure: Jobs in underserved communities created or maintained by businesses financed by BEA Program applicants (New measure adopted in 2003)	2003	4,930	
	2004	4,930	
Long-term Measure: Commercial real-estate properties financed by BEA Program applicants that provide access to essential community products and services in underserved communities (New measure adopted in 2003)	2003	612	
	2004	612	
Annual Measure: Number of affordable housing units in underserved communities whose development or rehabilitation is financed by BEA Program applicants (New measure adopted in 2003)	2003	391	
	2004	391	

Rating: *Results Not Demonstrated*

Program Type: *Competitive Grants*

Program Summary:

The Bank Enterprise Awards (BEA) Program offers financial awards to banks that participate in community development activities. Such activities include supporting community development financial institutions, financing affordable housing and economic development projects, and the provision of financial services.

The assessment indicates that while there is some evidence that BEA awardees use awards to reinvest in community development initiatives, program results are hard to measure because it cannot be determined how awardees would behave in the absence of the program. Additional findings include:
1. The program purpose is clear, but design limitations hamper the program's effectiveness. Under the current structure, it cannot be determined if banks participate in community development activities because of regulatory requirements (under the Community Reinvestment Act) or because of the money provided by the awards program. Thus, the results of the program cannot be determined until the Fund collects additional data.
2. In the last year, the program has developed new outcome-oriented goals and has taken steps to collect additional data on program results. However, as the award is for past performance, there are no prospective performance requirements on how awardees spend award funds. This prevents the Fund from ensuring that program awardees commit to the long-term goals of the program.
3. The program is efficiently managed.

In response to these findings, the Budget proposes to:
1. Reduce the funding for the BEA until statutory changes to the authorizing legislation are made that would clearly distinguish this program from the mandates of the Community Reinvestment Act and would insure that award funds are spent on community development activities.

Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
23	17	8

Program: *Coin Production*

Agency: *Department of the Treasury*

Bureau: *United States Mint*

☑ Results Achieved
☐ Results Not Demonstrated

☑ Measures Adequate
☐ New Measures Needed

Key Performance Measures

Key Performance Measures	Year	Target	Actual
Long-term Measure: Reduction in the controllable costs of circulating coinage from a 1997 baseline of $10.27 per 1000 coins Controllable costs exclude the costs of metals which vary considerably with market conditions. (Targets being refined)	2001		19%
	2005	15%	
Long-term Measure: Federal Reserve Board Customer Satisfaction survey (Average rating out of one hundred, based on surveys of Federal Reserve officials)	2001	85%	
	2002	85%	
Long-term Measure: Conversion costs per 1,000 coin equivalents This measures production cost efficiency.	2002	$11.00	$8.69
	2003	$10.25	
	2004	$9.75	

Rating: *Effective*

Program Type: *Direct Federal*

Program Summary:

The United States Mint makes coins for use as legal tender.

This assessment of the Mint found that the Mint has established performance measures focused on customer satisfaction and improving cost efficiencies. Additional findings include:
1. The Mint needs to improve customer satisfaction survey scores.
2. The Mint has shown some efficiency improvements in achieving reduced manufacturing costs (19 percent reduction since 1997).

The Mint is implementing a series of reforms to address these findings. These reforms include:
1. Reducing the maintenance down time of coin manufacturing machinery.
2. Competing customer service and order mailing staff to determine if contractors could handle these functions more efficiently.
3. Establishing a performance target to reduce the time required to process raw materials into finished goods.

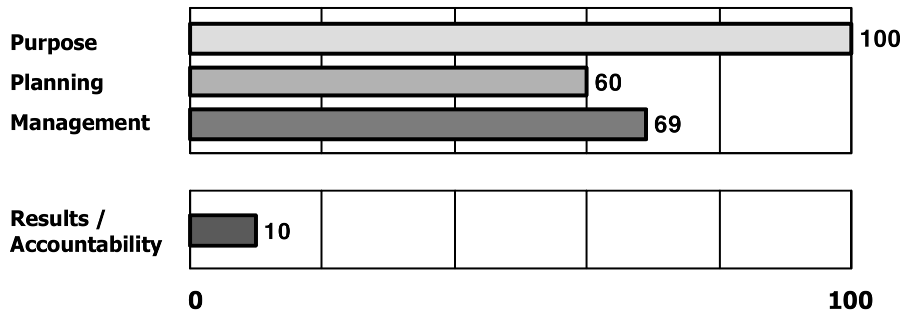
Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
827	946	971

Program: *Earned Income Tax Credit (EITC) Compliance*

Agency: *Department of the Treasury*

Bureau: *Internal Revenue Service*



☐ Results Achieved
☐ Results Not Demonstrated
☐ Measures Adequate
☑ New Measures Needed

Key Performance Measures	Year	Target	Actual
Long-term Measure: Percent of EITC dollars paid that should not have been paid This means that more than one dollar in four paid under EITC should not have been paid. (Targets under development)	1997		24 to 26%
	1999		27 to 32%
Annual Measure: Revenue protected, i.e., dollars incorrectly claimed by taxpayers that IRS either did not pay or later recovered ($ in billions) (Targets under development)	2001		$1.169
Annual Measure: EITC returns audited	2001		453,947
	2002	413,331	437,799
	2003	349,000	
	2004	364,000	

Rating: *Ineffective*

Program Type: *Direct Federal*

Program Summary:

The Earned Income Tax Credit (EITC) Compliance Initiative is intended to reduce erroneous payments of the Earned Income Tax Credit. It is run by the Internal Revenue Service (IRS).

This assessment indicates the EITC compliance initiative has failed to reduce EITC erroneous payments to acceptable levels.
1. IRS has a strong planning process closely linked to its budget process, but it has not yet used this outcome information to set performance targets that allow it to demonstrate results.
2. While IRS prevents roughly $1 billion in erroneous EITC payments per year, annual data reveals that 27 to 32 percent of all EITC payments were still made in error in tax year 1999. The magnitude of this error rate compels a rating of "ineffective."
3. IRS has made numerous management improvements in recent years. However, its financial management systems remain weak.

Treasury formed a Task Force in the spring of 2002 to recommend solutions to the EITC high error rate. The Budget provides a $100 million increase for the following initiatives recommended by the Task Force to improve EITC compliance.
1. IRS will require high-risk EITC applicants to pre-certify that the children claimed on their return are really qualifying children under EITC. Incorrectly claimed qualifying children have been a major source of EITC error. High risk applicants will be identified through databases such as the Federal Case Registry (information on child custody) and by focusing on taxpayers with characteristics linked to high error rates in compliance studies (e.g., relatives other than parents who claim a child for EITC purposes).
2. IRS will delay refunds on returns deemed to be high risk for filing status or income errors while agents take action to resolve cases. High-risk returns will be identified by researching taxpayer historical compliance and by requiring new information on EITC returns.

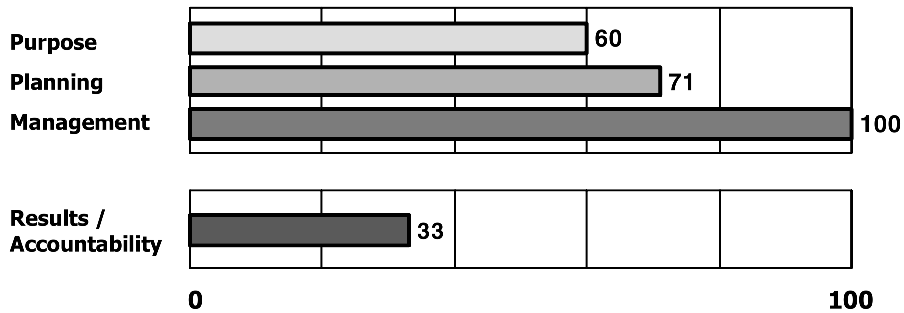
Note these initiatives will reduce EITC audits as resources are focused on correcting errors earlier in the process.

Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
146	146	251

Program: *International Development Association*

Agency: *Department of the Treasury*
Bureau: *International Affairs*



☐ Results Achieved
☐ Results Not Demonstrated
☑ Measures Adequate
☐ New Measures Needed

Key Performance Measures	Year	Target	Actual
Long-term Measure: Universal primary education (Ensure that by 2015 children everywhere will be able to complete a full course of primary schooling)	2015	100%	
Annual Performance Measure: Measles immunization rate (New measure) Indicator of progress in health	2002		58%
	2004	60%	
Annual Performance/Efficiency Measure: Reduction in number of days required for business start-up (New measure) Indicator of progress in private sector development	2002		81
	2004	75	

Rating: *Adequate*

Program Type: *Block/Formula Grants*

Program Summary:

The International Development Association (IDA) is part of the World Bank. It provides both long-term zero-interest loans (so-called "concessional" lending) and grants to the poorest developing countries to finance investments in health, education, sanitation, and infrastructure.

The assessment primarily indicates that IDA lacks a system to measure, monitor, and evaluate overall results. Therefore, it is difficult to determine if IDA funding is having any measurable effect, and this difficulty is reflected in the Accountability/Results score. However, the recently concluded agreement to replenish the resources of IDA -- the IDA-13 replenishment agreement -- calls for the establishment of such a system. The agreement also identifies six pre-existing and widely-used indicators to serve as annual performance measures to track IDA's progress in health, education, and private sector development.

Additional findings include:
1. IDA is not the only provider of concessional lending. Other regional development banks have very similar programs.
2. The poorest developing countries should not borrow more money than they can afford to repay. IDA should provide more grants than it currently does.
3. The World Bank manages the IDA program well on a project-specific level. The successful establishment of the measurable results system will allow IDA to track its progress in meeting development objectives across the board.

In response to these findings:
1. By signing on to the IDA-13 replenishment agreement, the U.S. committed to provide $850 million annually for the next three year (2003 through 2005). The Administration is also requesting $27 million in 2004 to clear some of the $73 million in arrears that the U.S. owes IDA.
2. The Administration will request an additional $100 million for IDA in 2004 if IDA meets specific performance benchmarks and an additional $200 million for IDA in 2005 if IDA makes satisfactory progress in the areas of health, education, and private sector development.
3. The Administration will continue to press IDA and other donors to increase the amount of grants that IDA provides.

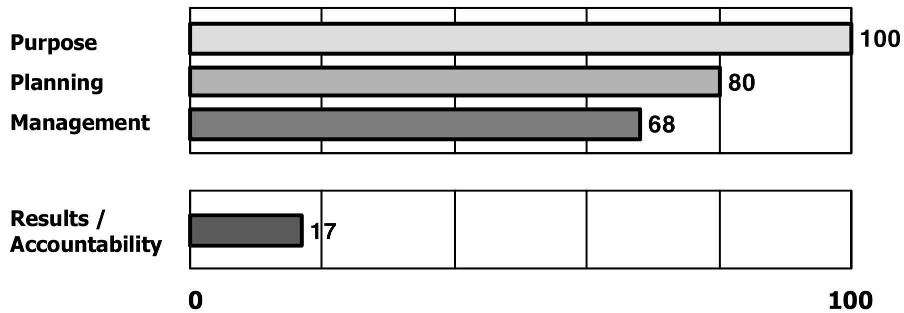
Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
792	874	977

Program: *IRS Tax Collection*

Agency: *Department of the Treasury*

Bureau: *Internal Revenue Service*



- [ ] Results Achieved
- [x] Results Not Demonstrated
- [ ] Measures Adequate
- [x] New Measures Needed

Key Performance Measures	*Year*	*Target*	*Actual*
Long-term Measure: Measure under development			
Annual Measure: Taxpayer Delinquent Accounts case closures (field cases) These are cases where taxpayers have not paid known tax debts.	2001	846,800	757,392
	2002	804,085	724,430
	2003	714,000	
	2004	769,000	
Annual Measure: Field Collection Quality (Percent of cases meeting strict standards for process and treatment of taxpayers)	2001	86%	84%
	2002	85%	84%
	2003	87%	
	2004	89%	

Rating: *Results Not Demonstrated*

Program Type: *Direct Federal*

Program Summary:

The Internal Revenue Service (IRS) Collection program collects known delinquent taxpayer liabilities (tax debts). This is distinct from IRS audits which determine how much a taxpayer owes. Collection agents contact taxpayers through notices, phone calls and personal visits to secure payments. If necessary, collection agents can use liens, levies or seizures, or refer taxpayers for criminal prosecution.

Tax revenue is necessary to finance government operations, and the Collection program is necessary to the success of tax enforcement. However, the assessment indicates that the Collection program needs improvements. Additional findings include:
1. Collection yields substantial revenue ($18 billion in 2001). However, IRS does not work enough collection cases with its current resources, work processes and technology to ensure fair tax enforcement. Each year IRS fails to work billions of dollars worth of collection cases.
2. IRS has made numerous management improvements in the last several years, including implementing good output measures. However, it's financial management systems remain weak.
3. IRS has a strong planning process closely linked to its budget process. However, it has not yet developed collection outcome measures or goals.

The Administration is working on several efforts to improve collection performance.
1. The Budget includes a legislative proposal to allow IRS to hire private collection contractors to secure payment in some cases. The legislation includes strong taxpayer rights protections. The contractors will be paid from receipts based on actual collections.
2. The Budget includes funding for 537 new collection employees.
3. Reengineering and technology modernization efforts are ongoing to introduce risk-based approaches to target specific taxpayers with the most effective collection procedure (i.e., notice, phone call, or field visit).

(For more information on this program, please see the Department of the Treasury chapter in the Budget volume.)

Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
923	967	1,038

Program: *OCC Bank Supervision*

Agency: *Department of the Treasury*

Bureau: *Comptroller of the Currency*

- [x] Results Achieved
- [ ] Results Not Demonstrated
- [x] Measures Adequate
- [ ] New Measures Needed

Key Performance Measures	Year	Target	Actual
Long-term Measure: Percentage of National banks with high ratings according to industry standards (composite CAMELS rating of 1 or 2) (Performance measure was adopted in 2002)	2001	90%	94%
	2002	90%	95%
	2003	90%	
	2004	90%	
Annual Measure: Percent of problem banks rehabilitated, as measured by industry standards (Performance measure was adopted in 2002)	2001	40%	44%
	2002	40%	47%
	2003	40%	
	2004	40%	
Annual Measure: Percent of national banks that are well capitalized (Performance measure was adopted in 2002)	2001	95%	98%
	2002	95%	99%
	2003	95%	
	2004	95%	

Rating: *Effective*

Program Type: *Regulatory*

Program Summary:

The Office of the Comptroller of the Currency (OCC) mission is to ensure a safe and sound and competitive national banking system. OCC charters and is the primary federal regulator of national banks. It is responsible for examining the financial records of banks and for maintaining the integrity of the Bank Insurance Fund (FDIC deposit insurance).

The assessment indicates that the program contributes to the safety and soundness of the banking industry. For example, a key performance indicator shows that more than 95% of banks regulated by the OCC have strong ratings in 2002 which incorporate measures for: capital, asset quality, management competence, earnings, liquidity, and sensitivity to market risk, commonly known as CAMELS. Additional findings include:

1. The program purpose is clear.
2. The program goals are outcome-oriented and program measurements are clear.
3. The program is efficiently and effectively managed.
4. The program is not unique in that other agencies, including the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA) and the Federal Reserve Bank (FRB), perform similar types of regulatory functions in the banking industry.

In response to these findings:

1. Federal banking regulatory agencies, including the OCC, the OTS, the NCUA, the Federal Reserve, and the FDIC, will work together to align outcome goals and related measures to allow for greater comparison of program performance in the industry.

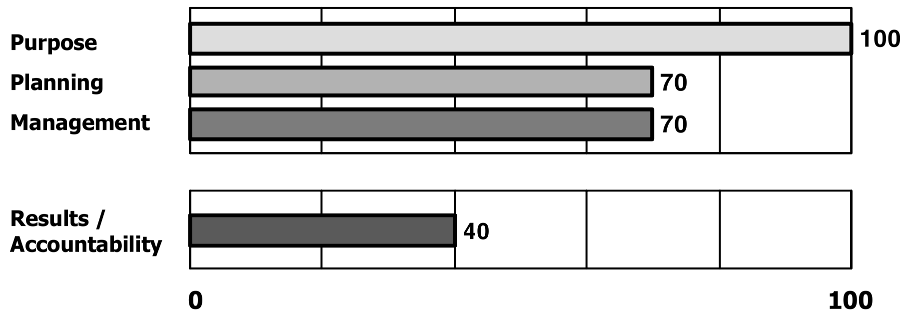
Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
413	435	454

Program: *Office of Foreign Assets Control (OFAC)*

Agency: *Department of the Treasury*

Bureau: *Departmental Offices*



- [ ] Results Achieved
- [x] Results Not Demonstrated
- [ ] Measures Adequate
- [x] New Measures Needed

Key Performance Measures	Year	Target	Actual
Long-term Measure: Measures under development			
Annual Measure: Timely development of trade sanction programs (New measure, targets under development)			
Annual Measure: Compliance with US trade sanctions (New measure, targets under development)			

Rating: *Results Not Demonstrated*

Program Type: *Direct Federal*

Program Summary:

Treasury's Office of Foreign Assets Control (OFAC) develops and enforces economic and trade sanctions against targeted foreign countries, terrorism sponsoring organizations and international narcotics traffickers. For instance, OFAC and our Allies were responsible for blocking over $124 million in terrorist assets worldwide since September 2001.

The assessment indicates the overall purpose of the program is clear, but unit cost measures are lacking. Additional findings include:
1. OFAC lacks long-term performance goals with specific targets, which makes it difficult to determine whether or not outcome goals are achieved.
2. The program has not yet instituted annual performance goals to determine the effectiveness of OFAC sanctions.

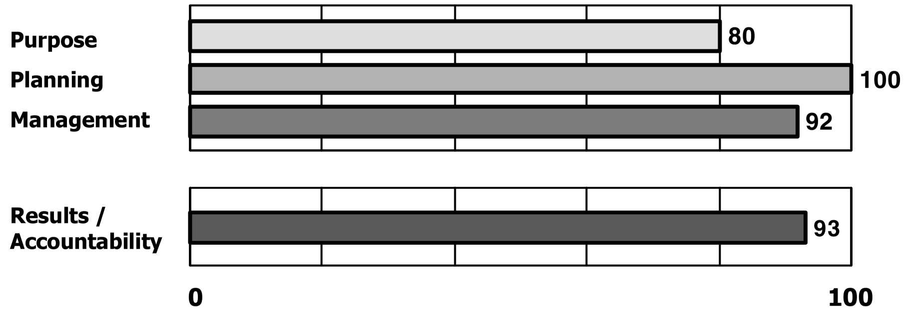
The program is implementing a series of reforms designed to address these findings. These reforms include:
1. Developing long-term performance goals with specific timeframes and measures.
2. Adopting annual performance goals and aligning them with the long-term performance goals.

Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
26	22	22

Program: *OTS Thrift Supervision*

Agency: *Department of the Treasury*
Bureau: *Office of Thrift Supervision*



☑ Results Achieved
☐ Results Not Demonstrated
☑ Measures Adequate
☐ New Measures Needed

Key Performance Measures	Year	Target	Actual
Long-term Measure: Percentage of thrifts with high ratings according to industry standards (composite CAMELS ratings of 1 or 2) (Performance measure was adopted in 2003)	2002	90%	90%
	2003	90%	
	2004	90%	
Long-term Measure: Thrifts with consumer compliance ratings of 1 or 2 (Performance measure was adopted in 2003)	2002	90%	92%
	2003	90%	
	2004	90%	
Annual Measure: Percent of thrifts that are well capitalized (Performance measure was adopted in 2003)	2002	95%	98%
	2003	95%	
	2004	95%	

Rating: *Effective*

Program Type: *Regulatory*

Program Summary:

The Office of Thrift Supervision (OTS) charters, examines, supervises and regulates thrift institutions and savings associations.

The assessment indicates that the program contributes to the safety and soundness of the banking industry. For example, a key performance indicator shows that more than 90% of banks regulated by the OTS have strong ratings in 2002 which incorporates measures for: capital, asset quality, management competence, earnings, liquidity, and sensitivity to market risk, commonly known as CAMELS. Additional findings include:
1. The program purpose is clear.
2. The program recently developed new goals that are outcome-oriented and program measurements which are clear.
3. The program is efficiently and effectively managed.
4. The program is not unique in that other agencies, including the Office of Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA) and the Federal Reserve Bank (FRB), perform similar types of regulatory functions in the banking industry.

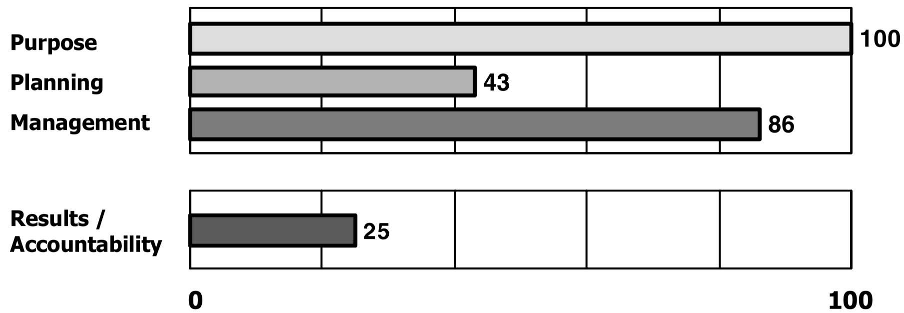
In response to these findings:
1. Federal banking regulatory agencies, including the OTS, the OCC, the NCUA, the Federal Reserve, and the FDIC, will work together to align outcome goals and related measures to allow for greater comparison of program performance in the industry.
2. The OTS will evaluate the efficiency and effectiveness of a single examination for both Safety and Soundness and Compliance functions.
3. The OTS will take steps to examine long-term systemic risks in the industry.

Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
163	168	168

Program: *Treasury Technical Assistance*

Agency: *Department of the Treasury*
Bureau: *International Affairs*



☐ Results Achieved
☑ Results Not Demonstrated
☐ Measures Adequate
☑ New Measures Needed

Key Performance Measures	*Year*	*Target*	*Actual*
Long-term Measure: Measures under development			
Annual Measure: Number of countries in which tax administration agencies will initiate substantive changes to reorganize on a functional basis (Better targets under development)	2001	3	3
Annual Measure: Measures under development			

Rating: *Results Not Demonstrated*

Program Type: *Direct Federal*

Program Summary:

This program provides technical assistance to developing countries to help them reform the way they budget, tax, enforce financial laws, and manage government finances.

Findings from the PART Assessment include the following:
1. The program scored well for program design and management. Program managers at the Office of Technical Assistance (OTA) closely collaborate with advisors implementing programs and with countries receiving assistance to ensure well-designed projects and effective use of funds.
2. Strategic planning is the area most in need of management attention. OTA has a limited number of long-term performance goals. However, these goals are not linked to measurable achievements, do not identify clear targets towards which to manage OTA's resources, and do not establish a timeframe for completion.
3. The absence of quantifiable long-term performance measures makes it difficult for OTA to justify how a particular funding level will help achieve results.
4. While annual performance goals are delineated, the absence of quantifiable long-term goals makes annual progress difficult since it cannot be measured against a long-term baseline. Furthermore, annual goals should be more ambitious, since most are usually achieved by 100 percent.
5. The low score in the results section is due primarily to the fact that the program has not yet developed adequate performance measures and targets. This makes it impossible to hold the program accountable for achieving results.

In response to these findings OTA managers will improve strategic planning by developing quantifiable annual and long-term performance measures and targets in 2003.

Program Funding Level (in millions of dollars)

2002 Actual	**2003 Estimate**	**2004 Estimate**
7	10	14

FINANCIAL MANAGEMENT PERFORMANCE PLAN
FISCAL YEAR 2004

OVERVIEW

Since the passage of the Chief Financial Officers (CFO) Act in 1990, the Department of the Treasury has made significant progress in improving financial management. The longer-term, financial management initiatives have been incorporated into the Treasury-wide Strategic Plan and reference the financial initiatives of the President's Management Agenda. The related performance results have been reported in both the Department's comprehensive FY 2002 Performance and Accountability Report and the audited Treasury-wide Accountability Report. The ensuing discussion constitutes the OMB Circular No. A-11, Section 52 requirement for Information on Financial Management.

The financial management vision statement and the performance strategies/goals are listed below. Also, following is a discussion of the financial management systems structure, the impediments to the submission of the required annual audited financial statements, and significant financial management accomplishments for FY 2002.

VISION STATEMENT

Building a strong institution that ensures sound financial management and stewardship of all Treasury accounts.

GOALS AND STRATEGIES

Improve Financial Accountability -- Develop the systems capability and accounting methodology to provide accurate, timely, and unqualified audit opinions on Departmental financial statements, with full cost accumulation aligning strategic plans, budgets, resources, and accounting data for all Treasury programs and activities, to facilitate internal analysis, resolve known material weaknesses, prevent new material weaknesses, and enhance external financial statement reporting.

- Deliver the FY 2002 Accountability Report to the Congress and OMB by November 15, 2002 and maintain an unqualified audit opinion.

- Reduce the number of open material weaknesses and prevent new findings by performing various internal control activities.

- Implement managerial cost accounting practices by aligning strategic plans, budgets, and accounting data.

- Review the Departments payroll needs with the main focus on obtaining timely labor distribution information to provide the ability to link resources with program results.

Completion of these performance targets will ensure the Department's full compliance with the accounting and auditing requirements of the CFO Act, the Government Management and Reform Act (GMRA) of 1994, and the Federal Managers' Financial Integrity Act (FMFIA). They will also support the Department's efforts to fulfill the goals of the President's Management Agenda. Treasury's credibility as the central financial agency for the Federal Government will also be enhanced upon the achievement of these targets.

Improve Financial Performance -- Achieve Federal Financial Management Improvement Act (FFMIA) compliant financial management systems with standardized core data elements and develop uniform financial management systems policies to enable all key Bureau financial data to be aggregated for improved analysis, reporting, and decision making.

- Complete the implementation of Treasury's Financial Analysis and Reporting System (FARS) which will provide bureau and Department managers with the information necessary to better manage the Department's resources. Full implementation of FARS will include the addition of key performance data and web-enabling the system for access by Treasury bureaus and Departmental Offices.

- Work with Treasury bureaus in the selection and implementation of financial management systems (e.g., core financial, enterprise resource planning, administrative, etc.) that meet their business requirements and are consistent with government-wide and Departmental policies (e.g. systems security and FFMIA).

- Improve the quality of financial data submissions and maintain the timeliness of closing within 3 days.

Completion of the above performance targets will position Treasury financial managers to develop a sound, efficient strategy and methodology for guiding the transition from stovepipe to fully integrated financial systems. Not only will the accuracy, timeliness, and usefulness of financial data be improved by these efforts, the initiatives may also lead to more cost-effective cross-servicing systems arrangements among Treasury bureaus and/or across other Federal agencies. As above, these targets support the President's Management Agenda.

PERFORMANCE PLAN SUMMARY

Performance against the two aforementioned strategies will be measured throughout FY 2003. The Treasury CFO Council will also use the information to refine the action plans for each of the identified performance goals.

IMPEDIMENTS TO THE SUBMISSION OF THE REQUIRED ANNUAL AUDITED FINANCIAL STATEMENTS

- **Maintain a timely, unqualified audit opinion on the Internal Revenue Service's (IRS) financial statements -** As the largest Treasury entity, the successful, timely completion of the IRS' financial statement audit is critical to both the Departmental and government-wide financial statements receiving unqualified opinions. The IRS, with assistance from the General Accounting Office, has made tremendous progress in accelerating its annual financial statement preparation and audit process. IRS received its second consecutive unqualified timely audit opinion on its FY 2001 financial statements, and received its third consecutive unqualified opinion on its FY 2002 statements while at the same time issuing those statements by November 15, 2002 – three and one-half months earlier than FY 2001's statements. While these accomplishments take a tremendous amount to effort to compensate for systems deficiencies, it is anticipated that future financial statement audits for both the IRS and the Department will be completed in a timely manner and will continue to result in unqualified opinions. (But, please refer to the paragraphs below for potential impediments.)

- **Establishment of the Department of Homeland Security -** The anticipated establishment of the Department of Homeland Security could adversely affect the Department's ability to complete the preparation and audit of its financial statements in a timely manner. This could also affect the level of audit assurance received. It is expected that several Treasury bureaus will become part of the new Department during FY 2003. The effects of this divestiture on FY 2003 financial reporting by the Department will need to be resolved early in calendar 2003 in order to properly plan for the preparation and audit of the Treasury's FY 2003 financial statements. Additionally, divesting major segments of the Department during the fiscal year raises the level of audit risk. Finally, the anticipated transfer of Departmental management oversight and audit functions/personnel to the new Department of Homeland Security would reduce the resources available for the preparation and audit of the Department's financial statements, which could affect the Department's ability to complete the preparation and audit of its financial statements in a timely manner.

- **Funding for the audit of FY 2003 financial statements –** The Department included a request for approximately $5.9 million in its FY 2003 budget to fund FY 2003 financial statement audits at various Treasury bureaus. Funding is maintained at $3.4 million in FY 2004 which reflects movement of the Customs Service piece to Homeland Security. It is pending final approval of the budget by Congress.

- **Weaknesses in financial management systems** – Several of the Department's bureaus have financial systems that do not comply with federal systems standards and are reported as material nonconformances under the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA). These systems do not readily produce timely, accurate financial data, which hampers the timely preparation and auditability of financial statements. While the affected bureaus have developed procedures to work around the limitations of their systems and produce timely, auditable financial statements, systems deficiencies continue to be a potential risk. Many of these deficiencies are long-standing and will take several years to correct. Plans are in place to address all deficiencies.

PLAN FOR FINANCIAL MANAGEMENT SYSTEMS STRUCTURE BUDGET YEAR 2004 BUDGET SUBMISSION

OVERVIEW

In previous "Financial Management Systems Structure" plans, the Department of the Treasury defined its strategy for improving its financial management systems. For fiscal year 2004, the Department will be continuing to implement this strategy. The target financial management systems structure is embodied in the Department's Financial Analysis and Reporting System (FARS). The FARS structure provides the bureaus with the flexibility necessary to meet their unique business needs as well as the data standardization and integration tools needed to meet the Department's reporting and financial management analysis needs. The Department uses FARS to produce its Performance and Accountability Report, receiving an unqualified audit opinion.

The Department's target structure consists of bureau financial management systems, the Treasury Information Executive Repository, and CFO Vision™. Bureaus submit summary-level financial data to TIER on a monthly basis, within three business days. The data is then loaded into CFO Vision™, an Online Analytical Processing tool to produce monthly financial management reports. This structure enables the Department to produce its quarterly and annual financial statements. In addition, the target systems structure includes the Performance Reporting System (PRS) which will enable the Department to more effectively integrate program performance and financial management.

Treasury is continuing to implement this strategy to meet the needs of the bureaus and the Department.

I. BASELINE

A. An Overview of Treasury's Current Departmental Financial Management Systems Structure

Treasury bureaus maintain their own financial and mixed systems to support their unique business needs. The Department maintains a Treasury-wide financial management data warehouse—the Treasury Information Executive Repository (TIER)—for meeting Departmental consolidation, analysis, and reporting requirements. TIER receives monthly data from the various bureau core financial systems and provides users with a universal and comprehensive view of data that are standardized and consolidated. CFO Vision™, a commercial off-the-shelf (COTS) system, is an analytical tool that is used with the TIER data to perform analysis and to generate financial statements and reports on both a Department-wide and bureau level basis.

1. Bureaus

The Department's Inventory of Financial Management Systems reflects Treasury's current baseline of financial management and mixed systems. As of September 2002, the Department's Inventory of Financial Management Systems lists a total of 186 financial and mixed systems.

For the core financial systems, the Department's bureaus currently use COTS software packages including American Management System's (AMS) Federal Financial System (FFS) software, PeopleSoft product, Computer Associates accounting software, Federal Success software, and software from Computer Data Systems, Inc. As bureaus implement new replacement financial management systems, these systems are generally being installed without any significant modifications.

A number of Treasury's bureaus provide cross-servicing to other bureaus and reporting entities. This enables smaller bureaus to have access to core financial systems without having to maintain the necessary technical and systems architectures. For example, the Financial Management Service (FMS) and Departmental Offices (DO) have migrated their administrative accounting functions to the Bureau of the Public Debt (BPD) and the Office of Thrift Supervision (OTS) plans to be cross-serviced by BPD. The Office of the Inspector General is being cross-serviced by the Department of the Interior. In addition, both the U.S. Customs Service (Customs) and Internal Revenue Service (IRS), cross-service other Treasury bureaus and some reporting entities are cross serviced for other financial management services, such as electronic travel processing.

2. The Department

On a Departmental basis, Treasury's Office of the Deputy Chief Financial Officer (DCFO) maintains financial management systems that consolidate data from all bureaus. These systems provide the capability to review data at both the Departmental and bureau levels. The DCFO's systems are TIER; CFO Vision™, and the Inventory, Tracking and Closure System (ITCS). The Department also uses PRS to track and report on bureau performance measurement indicators. These systems form the basis of FARS. FARS enhances the Department's capability to analyze its financial data and produce its consolidated financial statements.

On April 11, 2001, the Secretary of the Treasury challenged the bureaus to improve their reporting capabilities over the next 15 months by moving to a 3 day, monthly closing of the Treasury's books by no later than July 3, 2002. This challenge was met by implementing changes in systems, administrative and program financial processes, internal and management controls, audit processes, and management information reporting. Furthermore, these changes enabled Treasury to meet the accelerated dates for the development of the Fiscal Year 2002 and beyond Treasury financial statements.

B. Description of the FARS applications

1. Treasury Information Executive Repository (TIER)

The Department maintains TIER to meet Departmental consolidation, analysis, and reporting needs. TIER is a Departmental data warehouse which receives summary level financial data from bureaus and other reporting entities. On a monthly basis, Treasury bureaus and reporting entities extract summary financial data from their respective core financial management systems and transmit those data to TIER. TIER performs automated data validation and edit checks on the bureau data, ensuring that TIER data meet Departmental and Government-wide data standards. Both Departmental and bureau users are able to generate financial management reports using TIER.

TIER is one of the primary elements of Treasury's Department-wide financial systems integration and standardization strategy. TIER was developed in 1994 and consolidates summary financial data from all Treasury bureaus. TIER was a significant factor in the Office of Inspector General's (OIG) 1995 decision to recommend that the Department be removed from the Office of Management and Budget's (OMB) High Risk List for "lack of effective management oversight of systems development activities." TIER contains the structured data necessary to prepare annual audited consolidated financial statements required by the Government Management Reform Act (GMRA) of 1994 (Public Law 103-356).

The Department has made significant progress during the past several years in working with bureaus to improve the quality and the comprehensiveness of the data submitted to TIER. A data collection plan was developed for collecting the data elements needed for the Department's consolidated financial statements. New data element requirements were implemented to collect additional financial data and bureaus have completed modifying their core financial systems to provide these additional data elements to TIER. Additional data validation edits were added to TIER to ensure that the data meets Departmental and government-wide standards. In FY 2000, the Department was able to submit FACTS II budgetary data to FMS through a host to host transfer to the Financial Management Service. In FY 2002, all available FACTS II data was successfully transferred to FMS via TIER.

Departmental staff have been reviewing and analyzing the quality of data submitted by the bureaus and have been reporting the results of these analyses to the bureaus at both the executive level, through the Treasury Chief Financial Officers Council (TCFOC), and the staff level. Analysts in the Office of the DCFO work continually with bureau staff to clarify new and existing TIER data standards. Some of this analysis has prompted the Department to implement additional data validation edits in TIER, which will help to further improve the quality of the data transmitted to TIER. Based upon the improved data quality, the Department was able to produce the fiscal year 2000 consolidated financial statements using the TIER data and CFO Vision™. As a result of this effort, Treasury produced its fiscal year 2000 consolidated financial statements and received its first unqualified audit opinion. The Department continues to use this process to collect financial data and produce its financial statements and reports.

2. *CFO Vision™*

The CFO Vision™ component of FARS is used to analyze and report on Treasury's proprietary and budgetary financial data. The monthly financial data transmitted to TIER is consolidated and validated through extensive TIER edits. The data is extracted to CFO Vision™ to be processed for analyses and *ad hoc* management reports, as well as to produce the Department's consolidated financial statements.

During the past three years, Departmental staff have worked with the CFO Vision™ vendor, the SAS Institute, to develop report templates for generating Treasury's financial statements. Thus far, report templates have been developed for five of the six required financial statements:

- Consolidated Balance Sheet
- Consolidated Statement of Custodial Activity
- Consolidated Statement of Changes in Net Position
- Combined Statement of Budgetary Resources
- Consolidated Statement of Net Cost

For FY 2002, the system produced the five statements. CFO Vision™ did not produce the Statement of Financing since it did not contain all of the data necessary to complete it. This statement has been developed and configured for FY 2002 and will be used to test the methodology for whenever the data becomes available from the Reporting Entities. Using CFO Vision™ has proven very helpful to Departmental staff in reviewing the quality of TIER data. CFO Vision™ was also used to prepare two new types of reports in FY 2002:

- the new Monthly Financial Management Reports (MFMR) that are sent to the Secretary as part of the Three-Day Close program. The new MFMR and standard financial statements were successfully prepared are ready for delivery by noon of the fourth business day of the month.

- several of the required footnotes or supplemental notes for the Accountability Report that required data that was already collected in TIER. This eliminated the need for the bureaus to prepare these notes.

3. *The Inventory, Tracking and Closure System (ITCS)*

The ITCS is an essential tool in the Department's compliance with the Federal Managers' Financial Integrity Act (FMFIA) of 1982 (Public Law 97-255) and the Inspector General Act Amendments of 1988 (Public Law 100-504). The ITCS provides support in the Department's efforts to enforce and improve management controls and address audit findings, many of which have potential monetary benefits.

The ITCS is a Department-wide, interactive, real-time system which includes key information on audit reports issued by the Inspector General for Treasury (IGT), and the General Accounting Office (GAO). The system contains a number of automated reports for monitoring and highlighting matters that need to be addressed by Departmental and/or bureau management. ITCS users can track information on audit reports from the date of issuance through the completion of all action items. In addition, bureaus are now entering Federal Financial Management Improvement Act (FFMIA) remediation plan remedies and interim due dates in ITCS.

Data on audit findings and recommendations are input to the ITCS, as are bureau planned corrective actions for implementing the recommendations. Bureau users can also update the current status of those corrective actions on a continuing basis.

During fiscal year 2002, the Department completed most of the development work on a system designed to replace the ITCS. The replacement system is called the Joint Audit Management Enterprise System (JAMES). [The JAMES provides new functionality and takes advantage of improved technology by providing information to bureau and Department users via the Treasury Intranet. The JAMES was released into production in January 2003 after a thorough parallel test.]

4. *Performance Reporting System (PRS)*

Treasury has implemented a Strategic Management Process to guide the Department's operations and improve performance. Managing and evaluating programs through the measurement of results is a key part of this process. The PRS is a tool designed to help achieve this by giving policy officials, program managers, and staff access to performance information. The PRS is a web-enabled database of Treasury's Government Performance and Results Act (GPRA) performance data. It became operational in FY 1999 and is now accessed and updated through the internal Treasury Intranet, the TreasNet. The TreasNet is available to all Treasury employees through their browsers, but is not available to the public.

5. *FAIR ACT Automated Data Collection System*

The Office of the Procurement (OP) has successfully submitted Treasury's consolidated annual inventory report to the Office of Management and Budget. As a result of implementing the FAIR Act Automated Data Collection System, the overall process for submitting the inventory to OMB was much more effective and efficient. In July the Fair Act System project team will meet to discuss lessons learned from Phase I and the requirements for Phase II. Phase II will include a more robust competitive sourcing functionality as well as incorporate enhanced features and add new reports onto the system.

6. *Cost Management*

On February 7, 2001, Treasury's Office of the Deputy Chief Financial Officer issued Accounting Policy Memorandum Number OAIC 01-02, "Implementation of Managerial Cost Accounting" to bureau CFOs and DCFO's as assistance for complying with Statement of Federal Financial Accounting Standards No. 4 "Managerial Cost Accounting Standards." On August 28th, 2002 the Treasury Offices of the DCFO and Performance Budgeting agreed to a joint effort to advance development and use of managerial cost accounting at Treasury bureaus. Efforts will be through and with a committee of the Treasury CFO Council to address labor cost distribution methodology. As labor is the major component of Treasury cost, a broader charter for the group to include managerial cost accounting is natural. The agreement was spurred by desires to have better information for program managers to increase effectiveness and efficiency, enable better informed performance based budget formulation, and more informative and compliant external reporting. This effort, along with implementation of a model Departmental Offices pilot accounting to capture performance/financial data will be a key strategy in advancing Treasury's cost accounting and linking of resources to results.

Data Standardization

One of the key factors in producing timely, reliable, and relevant financial information-as well as auditable financial statements-is accurate and standardized data. As part of the TIER consolidation, data are standardized to facilitate reporting. Although a great deal of financial data standardization work was accomplished during the first years of TIER development, the Department's Financial Systems Policy Committee established a Financial Data Standards Subcommittee (FDSS) to continue this data standardization work.

The main goal of the data standardization effort is to enable the Department to consolidate consistent financial data, providing managers with the financial information they need to manage their programs. The three major components of these recommendations were (1) to standardize the budget object class at a 3-digit level (from the 2-digit level), (2) to standardize the Standard General Ledger (SGL) accounts throughout Treasury by using a Treasury-specific Chart of Accounts and (3) to standardize the input of Treasury Fund Symbols. These recommendations, along with a recommendation to implement a data stewardship process, were approved by the TCFOC.

During fiscal year 2001, the FINSTAD database was migrated from the contractor’s site to the Treasury servers. Now that the database resides within the Treasury firewall, only authorized Treasury personnel have access to it. In addition, the Data Stewards have the option of updating the FINSTAD database at any time with current TIER data. During fiscal year 2002, the data stewards updated the database with current data created from TIER extract files. Treasury is in the process of bringing technical support in-house as there are now Lotus Notes developers on staff at the Treasury Communications Service (TCS).

Implementation of Department-wide Systems

As appropriate, Treasury is working in partnership with its bureaus to migrate toward single, common systems. For example, the Department is currently working with the bureaus to design, develop, and implement a new automated human resources (HR) system which will be driven by business requirements and based on a suite of COTS products, with the PeopleSoft Human Resources Management System as the core.

In studying the current configuration of legacy HR systems used throughout the bureaus, the Department found that these legacy systems rely in most cases on outdated technology, use inefficient processes, and are extremely expensive to use and maintain. Also, these systems often require redundant data entry, do not consistently provide timely or accurate information, and are difficult to use.

The new HR system will provide the Treasury workforce with a flexible array of HR services that are readily accessible, highly efficient, and easy to use. Working with a single integrated system will assist in streamlining personnel processes and make it easier to access and compile information accurately and in a timely manner. In addition, the new system will support strategic HR services, such as succession planning, career development, and staffing alternatives.

By implementing a common system which will be used by all its bureaus (and by replacing multiple legacy personnel systems), Treasury will be able to achieve cost savings in systems operation and maintenance. The Department will also achieve savings by improving the productivity of HR and other administrative staff, as well as by reducing costs for recruitment and turnover.

Federal Financial Management Improvement Act Remediation Plans

Based on the FY 2000 financial statement audits, five Treasury bureaus were found to be not in substantial compliance with the Federal Financial Management Improvement Act of 1996: IRS, Customs, FMS, Office of the Comptroller of the Currency, and the Mint.

In accordance with Section 803 (c)(3)(A) of the FFMIA, the non-compliant bureaus prepared Remediation Plans to bring their systems into substantial compliance. These bureaus continue to work according to their plans in order to achieve compliance with the FFMIA. Bureaus report on the status of their FFMIA compliance efforts to the Department's DCFO organization on a quarterly basis. These remediation plans are then submitted to the Office of Management and Budget (OMB) for review. As a result of the magnitude of the remedies to correct these non-conformances, the Department is working with OMB to ensure compliance with the terms of the Act. OMB has granted a waiver to the IRS to the requirement to complete its remediation plan within three years. Quarterly meetings are held with OMB to review the status of the plans.

During fiscal year 2002, the bureaus made significant progress in implementing their remediation plans. The Office of the Comptroller of the Currency implemented its new financial system which corrected their FFMIA non-conformance. IRS is continuing to implement its business modernization projects. Both the Mint and FMS are addressing system security weaknesses. They anticipate that their systems will be in conformance as a result of their remedial actions.

II. TARGET STRUCTURE

Future Departmental Financial Management Systems Structure

Treasury's target financial management systems structure will build upon the FARS foundation already established. FARS will be the primary element of the Department's enterprise target structure. As indicated earlier, because of the Department's progress in implementing the CFO Vision™ software, Treasury's FARS structure now serves as both the baseline and the target enterprise financial management systems structure.

FARS is collecting a variety of financial management data, currently the proprietary and budgetary accounting data. FARS includes the following components:

(1) bureau core financial systems which feed summary financial data to the Department;

(2) the Treasury Information Executive Repository (TIER), a financial data warehouse containing summarized and consolidated financial data; and
(3) CFO Vision™, a COTS on-line analytical processing (OLAP) decision support tool, which is used for financial analysis and reporting.

In the FARS structure bureaus continue to maintain their own financial management systems. Bureaus and other reporting entities submit monthly summary data to the central data warehouse, TIER, for consolidation, data validation, and other edit checks. From TIER, the data is exported to CFO Vision™ for analysis and reporting.

In the long term, as FARS is expanded to collect additional financial data, it may be necessary to implement additional OLAP decision support tools to satisfy management's informational needs. While CFO Vision™ is used to produce the Department's consolidated financial statements and analyze budget and accounting data, additional COTS packages may be used for managerial cost accounting, assessing performance measurement, and other management information requirements as identified. The FARS tools will perform analyses and generate reports based on the consolidated Departmental data in the financial data warehouse and will also provide drill-down capabilities for analysis of financial data.

Beginning in FY 2002, bureaus and other reporting entities began entering data to FARS via the Treasury-wide Intranet. FARS is based on ORACLE databases; those databases migrated from the Department's VAX cluster to Windows NT servers. FARS uses graphical user interfaces as well as state-of-the-art decision support tools to administer the system and develop forms and reports.

The Department's target enterprise financial management systems structure does not call for a single Treasury-wide financial management system. Rather, the structure strikes a balance between the need to accommodate the unique data requirements of the bureaus and the Department's need for standardized, consolidated Treasury-wide data. Although Treasury does not currently have specific plans to develop any Department-wide financial management systems, (beyond the centralized HR system), the Department will evaluate opportunities for consolidating systems across bureaus, as appropriate. Treasury's bureaus will continue to enhance their financial and mixed systems to meet their specific missions. These systems will be implemented and maintained in accordance with all government and Department standards, including OMB Circular A-127, JFMIP system requirements, the Clinger-Cohen Act, etc. In addition, these systems will provide standardized financial data to the Department for consolidation and reporting.

III. PROJECTS REQUIRED TO MOVE FROM BASELINE TO TARGET

The following is a list of systems-related projects which will be essential in implementing the FARS target financial management systems structure.

FARS Implementation Project

The first step in the Department's migration to its FARS target structure is the complete implementation of the CFO Vision™ tool. FARS, utilizing the summary financial data submitted by the bureaus, will generates the required combined and consolidated financial statements, in accordance with OMB's Form and Content bulletin.

A schematic showing the process followed to produce these statements, along with the associated footnotes and other components of the Accountability Report, is found in Figure 2. In addition to producing the financial statements, FARS will provide Departmental and bureau financial managers with the capability to produce *ad hoc* reports for internal management reporting.

CFO Vision: Phase I

The CFO Vision™ software is being implemented in phases. At the end of Phase I, the CFO Vision™ tool produced Treasury's consolidated Departmental financial statements for FY 2000. Phase I was completed with the production of Treasury's fiscal year 2000 Accountability Report.

The Office of the DCFO worked with representatives from OMB, GAO, the Treasury OIG, the FASAB, and Treasury's FMS to finalize the Department's financial statement formats and content, including the required footnotes. These formats formed the basis of the Department's consolidated reporting. For footnotes using data already in TIER, CFO Vision will be used to prepare the added notes.

The data sets which bureaus have transmitted to TIER beginning in FY 1999 were expanded to include additional data elements needed for producing the financial statements. Treasury completed modifications to their core financial systems to collect these additional data for submission to TIER. The Department is working, and will continue to work, with all bureaus to verify data submitted to TIER are of the high quality necessary to serve as the basis for the Department's consolidated financial statements.

CFO Vision: Phase II

Phase II of the CFO Vision™ implementation involves (1) expanding the CFO Vision™ tool for use by bureaus and other offices within the Department, and (2) developing and implementing additional financial management reports. CFO Vision™ will be made available to all bureaus via the Department's Intranet website. With the full implementation of the latest vendor release, the bureaus will be able to access CFO Vision™ data and generate financial management reports. In addition, bureaus will be able to access CFO Vision™ data using Microsoft Excel spreadsheets.

The progress of the Web-enabled rollout to bureaus will depend on resolving additional firewall and Internet protocol issues, and the potential requirement to immediately maintain data on two servers across Departmental Offices' firewall. With the full implementation of CFO Vision™ at Departmental Offices and the rollout of reporting and analytical capabilities to Treasury bureaus, Phase II of the project will be completed. The Department will continue to work with the vendor to enhance the software to better meet its financial management needs.

TIER

TIER plays an important role in producing the Department's consolidated financial statements by serving as a data warehouse for bureau financial data. The TIER data is extracted to CFO Vision™ for the actual production of financial statements. The Department used the TIER data to prepare the fiscal year 2002 Treasury Accountability Report.

TIER plays another important role in financial reporting by transmitting financial data to the Federal Agency Centralized Trial-Balance System (FACTS) on behalf of Treasury bureaus. This includes both the FACTS I and FACTS II submissions. As a result of this centralized submission, the bureaus' financial data agreed with the data amounts reported in both the Department's Accountability Report and federal government's financial statement.

CFO Vision

CFO Vision(tm) is currently operating on Version 3.2, which was installed in July 2002. This version will allow the contractors to perform consolidations more easily as well as other improvements in speed and capability. CFO Vision(tm) will also become web-enabled allowing easier access for the user community.

A CFO Vision™ archiving plan developed the previous year was fully implemented. The archiving plan's primary purpose is to preserve a clear audit trail from the TIER data extract file to the CFO Vision(tm) data consolidations and report templates. These templates are applied to consolidations to create the various financial statements and other financial reports, notes, and tables. The archiving plan was made part of the CFO Vision(tm) Users Manual that was recently developed and submitted for approval.

<u>Inventory, Tracking and Closure System</u>

The Department has completed development of the JAMES, which replaces the ITCS. The JAMES provides enhanced functionality, tracks certain additional data, and increases user-friendliness. In addition, the JAMES is a web-based system accessible to all authorized users via the Treasury Intranet (TreasNet). Parallel testing of the JAMES with the existing ITCS began in October 2002 and continued through the first quarter of Fiscal Year 2003. It was fully implemented throughout the Department in January 2003.

Performance Reporting System

To date, bureaus have input to the PRS the same performance data reported in the annual budget submission, and a mid-year performance report. In the future, the Department expects to move to more frequent reporting of performance information. Current development efforts are focused on updating performance data in PRS electronically by files generated by each bureau's source systems, rather than manually via the Intranet, as is now the case. (This concept was successfully proven through an IRS pilot.)

In addition, planned enhancements include providing historical data, in graphical form, to show past performance for each measure, and ready access to verification/validation information.

General discussions about integration of systems containing budget, costing and performance data are taking place. This integration would be used to provide information to policy officials, program managers, and staff to make resource and budget decisions pertaining to performance.

Data Standardization

During FY 2001, the project was completed and the Treasury Financial Standards database (FINSTAD) was relocated from the Lotus Notes servers of InfoPro, Inc. to the Treasury Lotus Notes Server. This transfer allows the users to access FINSTAD through the Treasury Intranet. The data stewardship process was also completed in FY 2001. Implementation of the data stewardship program enables the Department to maintain standard data elements in an ongoing environment. Both the FINSTAD users' guide and data stewardship plan are located on the Treasury Intranet.

Data standardization is an important part of the Department's financial systems integration strategy. The data standards that result from the Financial Data Standards Subcommittee's (FDSS) efforts provide consistent definitions of financial data elements and at the same time allow for the uniqueness of bureaus' financial data. The FDSS's data standardization efforts improves the quality of TIER data by increasing completeness, reliability, consistency, and timeliness. As the quality of TIER data improves, the Department is better able to manage its financial resources and produce more timely, accurate, and consistent financial information.

GRANTS MANAGEMENT
WITHIN THE DEPARTMENT OF THE TREASURY

Tasked with responsibility for managing much of the Federal Government's finances, the Department of the Treasury administers several grant programs. These programs are managed in accordance with Government-wide requirements. The majority of the Department's grant funds are administered by the Community Development Financial Institution (CDFI) Fund. Smaller amounts are managed by the Internal Revenue Service (IRS).

I. GRANT PROGRAMS

Internal Revenue Service

The IRS administers two grants programs under the Wage and Investment Operating Division: the Tax Counseling for the Elderly (TCE) Program and the Low income Taxpayer Clinic (LITC) Grant Program. The IRS has revised the LITC Grant program requirements to ensure that grantees' program plans reflect overall IRS mission and goals. Grantees are required to state in their grant application program plan how their specific program plan relates to the achievement and goals of the LITC statute and accomplishment of the IRS mission. This change in the grant program allows the IRS to track grantee program accomplishments and assists the IRS in meeting its GPRA reporting requirements.

Community Development Financial Institutions Fund

The Community Development Financial Institutions Fund (CDFI Fund) promotes economic revitalization and community development through investment in and assistance for CDFI Fund-certified community development financial institutions (CDFI's) through the CDFI Program. Through the CDFI Program, the CDFI Fund makes financial investments in and supports financial institutions around the country that are specifically dedicated to financing and supporting community development activities. This strategy builds strong institutions that make loans and investments and provide financial services to markets (including economically distressed investment areas and disadvantaged targeted populations) whose needs for loans, investments, and financial services have not been fully met by traditional financial institutions.

II. IMPLEMENTING GRANT POLICY REQUIREMENTS

Treasury bureaus adhere to Office of Management and Budget (OMB) and other Government requirements to ensure that grantees are treated consistently.

Internal Revenue Service

Applications for grant awards are solicited each year from qualified organizations in full compliance with OMB Circulars A-110, A-21, A-122, and A-133. These and other grant requirements and regulations are part of the program guidelines for each grant program and are also incorporated into each grant agreement that is signed by both parties prior to grant funds disbursement.

SIGNIFICANT ACCOMPLISHMENTS

Several accomplishments took place in fiscal year (FY) 2002. Some of the more significant ones include:

- Developed and implemented within the Office of the Deputy Chief Financial Officer (DCFO) a Health and Safety Program to eliminate unhealthful and unsafe working conditions and to reduce injuries. The Program's primary focus is to assure that every DCFO employee experiences a healthy and safe work environment on a daily basis.

- The Department received another clean audit opinion on its FY 2001 financial statements, and issued the FY 2001 Accountability Report to OMB and Congress by the statutory due date of February 27, 2002. Major steps were also taken to accelerate the completion of the FY 2002 combined Performance and Accountability Report. (The FY 2002 report was actually completed and issued on November 15, 2002. The Office of Inspector General rendered an unqualified opinion on the Department's FY 2002 financial statements included in the report.)

- In April 2001, Secretary O'Neill challenged the CFO's of Treasury to close the financial books by the third business day following the close of each month within a 15-month time frame. The June 30, 2002 deadline was met by all bureaus, with many bureaus accomplishing this goal prior to the deadline.

- A monthly scorecard was developed to evaluate bureau progress in closing their financial books by the third business day, and also to evaluate the quality of data reported to the Department's Financial Analysis and Reporting System (FARS).

- In conjunction with the 3-day close, a Monthly Financial Management Report on key budgetary information was developed and distributed to the Secretary and senior management at the Department and bureaus. This report, prepared from the FARS, works towards improving data quality by providing more visibility of these key data, and additional data elements will be added to the report to provide additional useful management information.

- The Department and bureaus continue to improve data quality in the FARS by analyzing quarterly financial statements on an on-going basis. This analysis provides valuable benefits in ensuring the accuracy of financial information reported in FARS. It also enabled the Department to accelerate issuing our audited financial statements on November 15, 2002, two years ahead of the 2004 OMB requirement.

- Treasury continued its effort in establishing an Audit Committee within the Department, and has participated in the development of the JFMIP initiative on a government wide audit committee.

- The Department successfully transmitted both financial data and budgetary data to the FACTS I and FACTS II systems in FY 2002 using the FARS. Treasury has been the leader, among agencies with decentralized financial management systems, in transmitting FACTS data using a Department-wide financial reporting system.

- Treasury also enhanced its reporting process for the Department-wide consolidated financial statements for FY 2001 by automating several footnotes and supplemental information using the FARS. In addition, an automated checklist, using Microsoft Excel, was developed to compare amounts reported in footnotes and their corresponding financial statement line items. This checklist helped to identify any differences immediately, and enable the Department to reconcile these differences quickly to meet the statutory due date for the Accountability Report.

- The Department's increased emphasis on reducing material weaknesses during the year has resulted in a reduction to 20 from 29 at October 1, 2001. During FY 2002, Treasury had a net decrease of nine material weaknesses. While seven new material weaknesses were declared, the Department closed or downgraded ten material weaknesses and consolidated another eight similar weaknesses into two. Thus, twenty material weaknesses were outstanding as of September 30, 2002.

- The TIER system was web-enabled and rolled out to the bureaus via the Treasury Intranet. This resulted in significant time savings in data submission, making key financial information available through TreasNet. TIER was also used to submit Treasury's financial data to the Financial Management Service for government wide financial consolidation and reporting.

- The Department upgraded its CFO Vision product to the latest vendor release. This has resulted in improved processing time and establishes the foundation for rolling out system capabilities to the bureaus via TreasNet.

- Treasury developed and implemented the new FAIR Act system to capture a) key data in compliance with the FAIR Act and b) report that data in an automated format to the Office of Management and Budget.

- The Department initiated a project to replace its current Inventory Tracking and Closure System. The new system will maintain the Department's inventory of material weaknesses /audit findings and the status of planned corrective actions. It will be a web-based system and available on the TreasNet. The project team is working with the systems security office to ensure that appropriate security controls are part of the system design. The system will receive an initial Interim Authority to Operate, followed by a Certification and Accreditation.

- The DCFO's Office finalized its Continuity of Operations Plan (COOP). This plan will enable the DCFO to perform critical operations in the event of a national emergency.

- Treasury bureaus made progress in their efforts to improve their financial management systems. The Office of the Comptroller of the Currency implemented its new integrated financial management system to process and maintains its financial records. The Internal Revenue Service has selected its new integrated financial system, which will process and maintain the financial records for both the administrative and revenue activities.

- Treasury held its third annual financial systems symposium. In excess of 100 Treasury employees attended this symposium. Topics covered included improving financial management, enterprise systems, and systems security. In addition, several Treasury bureaus provided updates on their efforts to improve financial management.

- The Department provided government-wide leadership in Competitive Sourcing. Treasury chaired a federal Competitive Sourcing Working Group to exchange best practices and identify impediments. The Working Group sponsored two extremely successful federal conferences on Competitive Sourcing that were attended by over 1,200 people.

- The Department provided federal leadership on implementing Performance Based Contracting through chairmanship of the PBC Community of Interest and educational presentations to other agencies on how to implement PBC.

- Treasury provided federal leadership in implementing electronic commerce through chairmanship of the Federal Business Opportunities (FedBizOpps) Users Group and coordination of Central Contractor Registration (CCR) across Treasury and other agencies.

- Treasury provided federal leadership in implementing Section 508, accessibility contracting, through development of training and guidance which was adopted by multiple agencies.

- Treasury received two prestigious awards: the Frances Perkins Vanguard Award for exemplary utilization of women-owned small businesses and the Gold Star Award for exemplary performance in small business procurement accomplishments.

TOTAL TREASURY DEPARTMENT BUDGET

Treasury's FY 2004 budget request covers the following areas:

- **INTEREST PAYMENTS -- $358.8 billion**

  These are funds for interest payments needed to finance the public debt ($352.3 billion); interest payments by the IRS on refunds of taxes to taxpayers ($2.7 billion); selected interest payments on special accounts handled through the Treasury ($3.8 billion); and other public debt interest ($0.012 billion).

- **PERMANENT AUTHORITY APPROPRIATIONS AND TRUST FUNDS -- $43.0 billion**

  These are funds for special accounts for which the Congress has given the Department permanent authority to expend appropriations. These accounts include primarily repayments of taxes collected for Puerto Rico, payments made when the earned income credit exceeds the taxpayer's tax liability, payments to the Resolution Funding Corporation, reimbursements to Federal Reserve Banks, special claims and damage payments required as a result of judgments against the U.S. government, and payments to Presidential candidates and their parties in accordance with Federal Election Commission certification.

- **OFFSETTING COLLECTIONS -- -$20.9 billion**

  Treasury receipts from other government agencies and private sources are subtracted from the total Treasury budget as an offset.

- **ANNUAL OPERATING APPROPRIATIONS [FUNDING FOR ALL TREASURY BUREAUS] -- $11.408 billion**

  These are funds for the Treasury bureaus' activities. Funding for these require appropriation action by the Congress. Details of bureau operating budgets are provided in the section titled, "Analysis of FY 2004 President's Budget".

DEPARTMENT OF THE TREASURY

TOTAL FUNDING LEVELS IN THE FY 2004 PRESIDENT'S BUDGET

(dollars in millions)

	FY 2002 Enacted	FY 2003 Request	FY 2004 Request	% Inc/Dec
ANNUAL APPROPRIATIONS	**10,545**	**11,018**	**11,408**	**3.5%**
INTEREST PAYMENTS:				
Interest on Public Debt	332,537	328,316	352,335	7.3%
Refunding Internal Revenue Collections, Interest	4,208	3,219	2,689	-16.5%
Interest on Uninvested Funds	6	8	6	-25.0%
Interest Paid To Credit Financing Accounts	4,276	3,787	3,812	0.7%
Restitution of Foregone Interest	183	0	0	0.0%
Federal Interest Liabilities to States	6	4	6	50.0%
Subtotal, INTEREST PAYMENTS	**341,216**	**335,334**	**358,848**	**7.0%**
TRUST FUNDS & OTHER FUNDS:				
Federal Financing Bank	51	52	63	21.2%
Payment to Resolution Funding Corp	675	1,191	1,707	43.3%
Check Forgery Insurance Fund	0	3	3	0.0%
Payment to Terrestrial Wildlife Habitat Restoration Trust Fund	5	5	5	0.0%
Air Transportation Stabilization Program Account	172	506	3	-99.4%
U.S. Mint Revolving Fund	13	0	0	0.0%
Subtotal, TRUST FUNDS & OTHER FUNDS	**916**	**1,757**	**1,781**	**1.4%**
PERMANENT AUTHORITY APPROPRIATIONS:				
Presidential Election Campaign Fund	67	67	67	0.0%
Terrorism Insurance Program	0	8	9	12.5%
Sallie Mae Assessments	0	1	1	0.0%
Continued Dumping and Subsidy Offset	312	321	331	3.1%
Treasury Forfeiture Fund	178	221	0	-100.0%
Debt Collection Special Fund	35	28	30	7.1%
Claims, Judgments & Relief Acts	1,850	921	935	1.5%
Federal Reserve Bank Reimbursement by -				
FMS	84	135	536	297.0%
BPD	131	133	131	-1.5%
Government Losses in Shipment	1	1	0	-100.0%
Collection of Taxes for Puerto Rico by -				
TTB	341	355	364	2.5%
IRS New and Existing Fees	70	70	70	0.0%
IRS Informant Payments	9	3	3	0.0%
IRS Private Collection Agencies	0	0	2	100.0%
Payment where Child Credit exceeds liability for tax	5,060	6,170	6,937	12.4%
Payment where EITC exceeds liability for tax	27,826	30,606	31,375	2.5%
Payment where failing School Credit exceeds liability for tax	0	0	213	100.0%
Payment where Health Care Credit exceeds liability for tax	0	4	212	5200.0%
Subtotal, PERMANENT AUTHORITY APPROPRIATIONS	**35,964**	**39,044**	**41,216**	**5.6%**
OFFSETTING COLLECTIONS	**-18,054**	**-18,058**	**-20,897**	**15.7%**
OTHER ADJUSTMENTS	**-13**	**-14**	**-15**	
TOTAL, DEPARTMENT OF THE TREASURY	**370,574**	**369,081**	**392,341**	**6.3%**

DETAIL OF OTHER ACCOUNTS

INTEREST PAYMENTS

- **INTEREST ON THE PUBLIC DEBT**

  The Government's current deficit and outstanding debt requirements are financed through borrowing (e.g., auctions of Treasury Bills, Notes, and Bonds). Funds paid to lenders for the use of their money is paid from the Interest on the Public Debt appropriation. This appropriation is permanent, indefinite, meaning that an annual appropriation request is not required to obtain this budget authority.

  Interest on the Public Debt includes all interest paid on Treasury securities sold to the public (which includes foreign and domestic financial institutions, individuals, insurance companies, state and local governments, etc.) and to Federal Government trust funds, revolving funds and deposit funds.

  The Federal Government both pays and receives interest and in some cases pays itself. As a result, a better picture of the Federal Government's interest cost is seen in net interest outlay estimates, comprised of:

  ✓ Interest on the public debt, plus interest on tax collection refunds; and

  ✓ Interest collections from Federal agencies and the public (interest on loans to the Federal Financing Bank is the largest item of offsetting interest collections), and interest received by Federal trust funds for securities held by these funds.

- **INTEREST ON IRS REFUNDS**

  Under certain conditions set forth in the tax law, IRS must pay interest on Internal Revenue collections which must be refunded -- amended returns, delayed refunds of more than 45 days from the due date of the return, corporation losses covering prior year returns, results of tax audits, etc. The rate of interest changes every three months to reflect the prime interest rate then in effect.

- **INTEREST ON UNINVESTED FUNDS**

  Under conditions of the law creating each trust account, interest accruing and payable from the general fund of the Treasury is appropriated for payment to the proper fund receipt accounts.

- **INTEREST PAID TO CREDIT FINANCING ACCOUNTS**

Loan guarantee financing accounts receive various payments and fees and make payment on defaults. When cash balances result from an excess of receipts over outlays, these balances are deposited with Treasury and earn interest. This account pays such interest to credit loan guarantee financing accounts from the general fund of the Treasury in accordance with Section 505(c) of the Federal Credit Reform Act of 1990.

- **RESTITUTION OF FOREGONE INTEREST**

  In certain situations, the Secretary of the Treasury pays interest to the Government Securities Investment Fund from the general fund of the Treasury when funds could not be invested as a result of a debt issuance suspension.

- **FEDERAL INTEREST LIABILITIES TO THE STATES**

  As provided in U.S.C. 3335, U.S.C. 6503, and 31 C.F.R. 205, interest is paid to states when Federal funds are not transferred timely. Further, states are reimbursed for specific costs.

TRUST FUNDS AND OTHER

- **FEDERAL FINANCING BANK**

  The Federal Financing Bank (FFB) was created in 1973 to ensure the coordination of Federal and federally assisted borrowing from the public in a manner least disruptive to private financial markets and institutions. FFB loans are now used primarily to finance direct agency activities such as resolution of failed thrift institutions by the deposit insurance agencies, construction of Federal buildings by the General Services Administration, and meeting the financial requirements of the U.S. Postal Service.

- **PAYMENT TO RESOLUTION FUNDING CORPORATION**

  The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 authorized and appropriated to the Secretary of the Treasury, for fiscal year 1989 and thereafter, such sums as may be necessary to cover interest payments on obligations issued by the Resolution Funding Corporation (REFCORP). REFCORP was established under the Act to raise $31.2 billion for the Resolution Trust Corporation (RTC) in order to resolve savings institution insolvencies.

- **CHECK FORGERY INSURANCE FUND**

  This fund was established as a permanent, indefinite appropriation in order to maintain adequate funding of the Check Forgery Insurance Fund (Fund). The Fund will facilitate timely payments for replacement Treasury checks necessitated due to a claim of forgery. The fund will recoup disbursements through reclamations made against banks negotiating forged checks.

  To reduce hardships sustained by payees of Government checks that have been stolen and forged, settlement is made in advance of the receipt of funds from the endorsers of the checks through reclamation procedures by this office. If the U.S. Treasury is unable to recover funds, the account sustains the loss.

- **PAYMENT TO TERRESTRIAL WILDLIFE HABITAT RESTORATION TRUST FUND**

Under P.L. 106-53, the Secretary of the Treasury is required to invest funds deposited in the Cheyenne River Sioux Tribe Terrestrial Wildlife Restoration Trust Fund and the Lower Brule Sioux Tribe Terrestrial Wildlife Restoration Trust Fund, until the funds are fully capitalized.

- **U.S. MINT REVOLVING FUND**

The Mint is credited with receipts from its circulating coin operations, equal to the cost of producing and distributing coins that are put into circulation. The difference between the face value of the coins and the cost of operations are considered a profit, which is deposited as seigniorage to the general fund. Any seigniorage used to finance capital acquisitions is reflected, as budget authority in the year funds are obligated for that purpose.

PERMANENT AUTHORITY APPROPRIATIONS

- **PRESIDENTIAL ELECTION CAMPAIGN FUND**

The fund supports payments to the candidates running for President during the primaries and the general election, as well as support of nominating conventions. Appropriations to the fund represent receipts from the Presidential Election check-off on taxpayers' income tax returns. Upon certification by the Federal Election Commission, payments are made for the above purposes. Major expenditures occur during the year of the Presidential election -- appropriations shown represent collections from the check-off.

- **TERRORIST INSURANCE PROGRAM**

The Terrorism Risk Insurance Act of 2002 (P.L. 107-297) was signed into law on November 26, 2002. The law establishes in the Department of the Treasury, the Terrorism Insured Loss Shared Compensation Program, administered by the Secretary of the Treasury, who shall have general Program authorities and pay the Federal share of compensation for insured losses resulting from acts of terrorism. The Act authorizes appropriations for the program and its administration. By law, the Program terminates on December 31, 2005.

- **SALLIE MAE ASSESSMENTS**

The Secretary of the Treasury is authorized by the FY 1997 Omnibus Consolidated Appropriations Act to establish and collect from the Sallie Mae Association an annual assessment of up to $800,000 (adjusted for each fiscal year ending after September 30, 1997 by the CPI) to cover the expenses related to providing financial oversight of the Association.

- **CONTINUED DUMPING AND SUBSIDY OFFSET**

P.L. 106-387 provides for relief for certain domestic producers that may be impacted by injurious dumping and/or subsidization of imported products. Assessed duties are deposited into a special fund, and distributed to domestic producers, based on a determination that a domestic producer has been injured by these unfair trade practices.

- **TREASURY FORFEITURE FUND**

The Treasury, Postal Service, and General Government Appropriation Act, 1993 (P.L. 102-393) established this permanent appropriation, to be used to pay for all seizures and forfeiture costs that occur pursuant to the Treasury Department’s law enforcement activities.

- **DEBT COLLECTION SPECIAL FUND**

  FMS provides debt collection operational services to client agencies which includes collection of delinquent accounts; offset of Federal payments against debts owed the government, collection of unclaimed financial assets, and disposition of foreclosed property.

- **CLAIMS, JUDGMENTS AND RELIEF ACTS**

  Appropriations are made for payment of claims and interest for damages not chargeable to appropriations of individual agencies, and for payment of private and public relief acts. Public Law 95-26 authorized a permanent, indefinite appropriation to pay certain judgments from the general fund of the Treasury.

- **REIMBURSEMENT TO FEDERAL RESERVE BANKS**

  Legislation was enacted in FY 1992 (Public Law 101-509) establishing a permanent, indefinite appropriation to reimburse Federal Reserve Banks for their services as fiscal agents for the Bureau of the Public Debt beginning in FY 1994.

  The FY 1998 Treasury Appropriation Act (P.L. 105-61) established, beginning in fiscal year 1998 and thereafter, a permanent, indefinite appropriation for the Financial Management Service to reimburse Federal Reserve Banks in their capacity as depositaries and fiscal agents for the United States for all services required or directed by the Secretary of the Treasury to be performed by such banks on behalf of the Treasury or other Federal agencies.

- **GOVERNMENT LOSSES IN SHIPMENT**

  Payments are made for the replacement of valuables, or the value thereof, lost, destroyed, or damaged in the course of shipments effected pursuant to section 1 of the Government Losses in Shipment Act, as amended.

- **DUTIES, TAXES AND FEES (PUERTO RICO)**

Treasury's Tax & Trade Bureau collects duties and excise taxes for Puerto Rico. These funds are deposited in a receipt account in the Treasury. After the bureaus deduct their cost of collecting these funds, the balance is refunded back to Puerto Rico through this account, which is shown as a Treasury outlay. In total, the activity (receipts/outlays) generally balances to zero, although the repayment is required to be included in total Treasury expenditures.

- **INTERNAL REVENUE SERVICE - NEW AND EXISTING FEES**

  The Secretary of the Treasury may establish new fees or raise existing fees for services provided by the IRS to increase receipts, where such fees are authorized by another law. The fees may be spent to supplement appropriations.

- **INTERNAL REVENUE SERVICE – INFORMANT PAYMENTS**

The Secretary of the Treasury may make payments to individuals resulting from information given that leads to the collection of Internal Revenue taxes. The Taxpayer Bill of Rights of 1996 (Public Law 104-168) provides for payments of such sums to individuals from the proceeds of amounts (other than interest) collected by reason of the information provided, and any amount collected shall be available for such payments.

- **INTERNAL REVENUE SERVICE – PRIVATE COLLECTION AGENCIES**

An FY 2004 legislative proposal would allow private agencies to support the IRS in the collection of taxes owed the federal government, in particular past due taxes. These private organizations would be compensated out of the revenue realized through their collection efforts.

- **PAYMENT WHERE CHILD CREDIT EXCEEDS LIABILITY FOR TAX**

The child credit (originally authorized under the Taxpayer Relief Act of 1997) calls for an additional payment to the tax filer. Only in those instances when the credit will exceed the amount of the tax liability owed through the individual income tax system.

- **PAYMENT WHERE CREDIT EXCEEDS TAX LIABILITY (EARNED INCOME CREDIT)**

The earned income credit (originally authorized under the Tax Reduction Act of 1975) calls for absolute tax credits to low income taxpayers who meet certain qualifications. Only when the tax credit exceeds the taxpayer's total liability for taxes is this account used, and then, only by the amount that the tax liability is exceeded.

- **PAYMENT WHERE FAILING SCHOOL CREDIT EXCEEDS LIABILITY FOR TAX**

The failing school credit legislative proposal calls for assistance payments to parents of children enrolled in a failing public school; these payments would provide for a portion of the costs for these children to attend an alternative public or private school.

- **PAYMENT WHERE HEALTH CARE CREDIT EXCEEDS LIABILITY FOR TAX**

The health care credit calls for a refundable tax credit for health insurance purchased by individuals and families who are not covered by employer-sponsored insurance nor eligible for public programs.

OFFSETTING COLLECTIONS

In general, amounts collected by the Government are classified in two major categories:

- **Governmental Receipts** – Revenues that arise from the sovereign and regulatory powers unique to the Government. They consist primarily of tax receipts, but also include customs duties, court fines, certain licenses, etc. All governmental receipts are deposited into receipt accounts. These receipts are always reported in total (rather than as an offset to budget authority and outlays).

- **Offsetting Receipts** - Collections that are offset against the budget authority and outlays of the collecting agency rather than reflected as governmental receipts in computing budget totals. Offsetting receipts are comprised of:

  - ***Proprietary Receipts*** - These receipts from the public are market-oriented and are derived from activities operated as business-type enterprises.

  - ***Intragovernmental Receipts*** - These are collections from other governmental accounts deposited in receipt accounts. These are further classified as follows:

    – ***Interfund Receipts*** - These are amounts derived from payments between Federal and trust funds.

    – ***Intrafund Receipts*** - These are amounts derived from payments within the same fund group (i.e., within the Federal fund group or within the trust fund group).

    – ***Offsetting Government Receipts*** - These receipts are governmental in nature, since they offset agency budget authority and outlays, they are required to be treated as offsetting receipts.

(***dollars in billions***)			
	FY 2002 Actual	**FY 2003 Estimate**	**FY 2004 Estimate**
Proprietary	13.4	13.5	14.3
	1.2	1.1	3.0
Intrafund	3.5	3.4	3.6
Offsetting Governmental	--	--	--
TOTAL	**18.1**	**18.0**	**20.9**